# EXHIBIT 6

## Sallee Deposition Transcript

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN

In re ) 
) Chapter 9
CITY OF DETROIT, MICHIGAN, ) Case No. 13-53846
Debtor. ) Hon. Steven W. Rhodes

The videotaped deposition of CAROLINE SALLEE, called for examination pursuant to the Rules of Civil Procedure for the United States District Courts pertaining to the taking of depositions, taken before GINA M. LUORDO, a notary public within and for the County of Cook and State of Illinois, at 77 West Wacker Drive, Suite 3500, Chicago, Illinois, on the 24th day of July, 2014, at the hour of 9:04 a.m.

Reported by: Gina M. Luordo, CSR, RPR, CRR
License No.: 084-004143

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Mr. Thomas Scheckel - Videographer



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THE VIDEOGRAPHER: My name is Thomas Scheckel, certified legal video specialist in association with Elisa Dreier Reporting Corp. located at 950 Third Avenue, New York, New York. I'm the videographer on July 24, 2014 for the recording of the deposition of Caroline Sallee being taken at 77 West Wacker, Chicago, Illinois at the time of 9:04 a.m. In re City of Detroit, debtor, filed in the U.S. Bankruptcy Court, Eastern District of Michigan, Case No. 13-53846

Will counsel please identify themselves for the record beginning with plaintiff's counsel.

MR. SMITH: Doug Smith for Syncora.

MR. STEWART: Jeffrey Stewart, Chris DiPompeo and Sarah Hunger of Jones Day for the City of Detroit and for the witness.

MR. ALBERTS: Sam J. Alberts from Dentons on behalf of the Official Committee of Retirees.

THE VIDEOGRAPHER: Will counsel on the phone please identify themselves.

MR. HOSLER: William E. Hosler from Williams, Williams, Rattner & Plunkett on behalf of FGIC.

THE VIDEOGRAPHER: Will the reporter please identify herself and swear in the witness.

THE COURT REPORTER: Gina Luordo.



(Whereupon, the witness was sworn.)

MR. SMITH: Good morning, Ms. Sallee. Have you ever been deposed?

THE WITNESS: No.

MR. SMITH: You know that I'm going to ask you a series of questions today, correct?

THE WITNESS: Correct.

MR. SMITH: And you know that if you don't understand any of my questions, you'll feel free to ask me to clarify them, correct?

THE WITNESS: Correct.

CAROLINE SALLEE,

having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. SMITH:

Q. Mr. Stewart said, I think, in the opening that he was here on behalf of the City and on behalf of you. Do you recall that?

A. Yes.

Q. Do you understand that you have an attorney-client relationship with Mr. Stewart?

A. Yes.

Q. And has Ernst & Young retained Mr. Stewart

on your behalf to represent you today, if you know?
A. I don't know.
Q. You're functioning, I guess -- there are multiple Ernst & Young witnesses who have filed expert reports in the case. You're aware of that, correct?
A. Yes.
Q. And I want to try to figure out kind of your role with respect to these other witnesses, okay?
A. Okay.
Q. You're holding yourself out as an expert, I guess, in tax policy; is that correct?
A. So I'm an expert in the real and personal property taxes for the General Fund for the City of Detroit.
Q. You're not holding yourself out as an expert in urban policy, correct?
A. Correct.
Q. You're not an expert in health benefits?
A. Correct.
Q. You're not an expert on government?
A. Correct.
Q. You're not an expert on blight reduction?
A. Correct.



Q. You're not an expert on property assessment?
A. I'm not an expert on property assessment.
Q. And you've never assessed property before, correct?
A. That's correct.
Q. You're not an expert in property tax collection?
A. That's correct.
Q. Not an expert on real estate valuation?
A. Correct.
Q. Never done a real estate valuation before?
A. That's correct.
Q. Never been involved in property tax collection before, correct?
A. By understanding the mechanisms of property tax collections, I understand those, but in terms of an expert in how it's being collected? Logistics?
Q. Well, I'm asking more of a factual question. Have you ever personally been involved in collecting property taxes before?
A. No, I have not.
Q. You're not holding yourself out as an expert in real estate in general, correct?



A. Correct.
Q. You're not an expert on the state government or the Michigan government, correct?
A. Correct.
Q. Not an expert on casinos or wagering revenue?
A. Correct.
Q. Not an expert on wagering tax revenue?
A. Correct.
Q. Not an expert on art valuation?
A. Correct.
Q. Not an expert on pensions?
A. Correct.
Q. Not an expert on government grants?
A. Correct.
Q. You're not an expert on information technology?
A. No.
Q. You're not an expert on transportation systems?
A. Correct.
Q. And you wouldn't hold yourself out as an expert in accounting?
A. Correct.
Q. You're not an expert in financial



analysis?
A. Correct.
Q. You are not an expert on Chapter 9 bankruptcy?
A. Correct.
Q. You're not holding yourself out as an expert on state revenue sharing?
A. So I am holding myself out as an expert on state revenue sharing for the City of Detroit.
Q. Have you ever been involved in state revenue sharing before?
A. What do you mean by involved?
Q. I mean, has there ever been any work that you've done in the area of state revenue sharing before?
A. Any work? So I've analyzed how the State of Michigan does their revenue sharing, and I've looked at distribution to certain counties, cities, townships. So in that capacity, I understood how it's done and in this case, how the revenue was going to the City of Detroit.
Q. Is the only work you've done on state revenue sharing for purposes of this case?
A. No.
Q. What was the other work you've done?

A. So I've done some work for the City of Flint, Michigan and then looking at how revenue sharing worked for past clients at my old job.
Q. What was that job?
A. I worked for Anderson Economic Group.
Q. And did you do work on Michigan revenue sharing or other states' revenue sharing?
A. Just Michigan.
Q. Okay. And you understand that the state has significantly cut its revenue sharing to all the cities in Michigan in recent years, correct?
A. I understand that Michigan revenue sharing has gone down.
Q. And it's gone down by hundreds of millions of dollars to Detroit, correct?
A. I wouldn't say hundreds of millions of dollars. So overall Michigan's revenue sharing has gone down, and Detroit has had fluctuations. So in any given year, it's gone up and down.
Q. Well, there have been analyses, though, that have showed that the cuts in recent years have cost Michigan -- I mean cost the City of Detroit more than $700 million. You're aware of that, correct?
A. I can't speak to that because I don't have



an analysis in front of me.
Q. I mean, do you know how much cumulatively the cuts in the last decade to revenue sharing have cost the City of Detroit?
A. I do not know that.
Q. You know that many cities, though, are under financial distress in Michigan because of the cuts to revenue sharing, correct?
A. I can't speak about other cities and townships.
Q. Well, the City of Flint, was that city under financial distress?
A. The City of Flint has been under financial distress, yes.
Q. And is one of the causes of financial distress of the City of Flint the cut in state revenue sharing?
A. I would say it's been one of the factors.
Q. And one of the factors causing Detroit's fiscal distress is the cut to state revenue sharing, correct?
A. One of the causes --
Q. Yes.
A. -- you're asking? I would say for the City of Detroit, reductions to state revenue



sharing is a problem for them, yes.
Q. And the City of Flint, when it was in fiscal distress, what activities did it try to engage in to improve its fiscal condition?
A. I can't speak to that.
Q. What specifically were you doing for the City of Flint?
A. So this is a public case, so I feel I can talk about it. So we were retained by the City of Flint to look at their revenue forecasting for the next five years.
Q. And so the City of Flint did revenue forecasting over a period of five years?
A. That's right.
Q. And why were you doing that? Why were you looking at the revenue forecasting?
A. Because we were asked to.
Q. I mean, why did they want you to, though? What was --
A. My understanding is that EY had -- was hired, and I was brought in from the restructuring team to look at the revenue forecasting, and they were asked by the State of Michigan to look at their -- both their expenses and their -- forecasted expenses and revenues, and the State



wanted them just to do one more check.
Q. And was the City of Flint put under an emergency manager as a result of fiscal distress?
A. They have been under emergency financial management, yes.
Q. And do you know what actions the emergency manager has taken to alleviate financial distress?
A. I do not.
Q. Do you know if Flint has improved its fiscal situation at all?
A. I do not.
Q. Do you know -- as far as you know, did the City of Flint ever consider going into Chapter 9 as a result of fiscal distress?
A. I don't know.
Q. You're not aware of that ever coming up?
A. I don't know if they've ever talked about it.
Q. During your interactions with the City of Flint, though, they never suggested to you that they would go into Chapter 9 to alleviate fiscal distress, correct?
A. So during my conversations with the City, we never talked about whether or not they would go into bankruptcy.

Q. And why was the State of Michigan having the City look at its revenues again?
MR. STEWART: Objection.
THE WITNESS: I don't know.
BY MR. SMITH:
Q. Do you know if the city of -- City of Flint cut costs and services in order to address fiscal distress?
A. I don't know.
Q. Do you know if -- I mean, you were doing the revenue forecasting, I guess. Do you know if the City of Flint raised taxes in order to address its fiscal distress?
A. So I was doing forecasting, so in terms of -- I don't know what they had done in the past. Going forward, we looked at the various taxes and whether or not things were going to expire at certain times, so it was all under current law, things that had been planned so...
Q. What kind of things did the City of Flint plan in terms of taxes for raising revenue?
A. They -- so I looked at their property and income taxes and state revenue sharing. They had certain millages that were going to expire at certain times, and so we just took that into



account in our forecast, made sure we were following what was the current law.
Q. Were there increases in taxes that were planned or increases in tax revenues that you incorporated into your Flint revenue --
A. So anything that was in current law we incorporated.
Q. And what would that include?
A. Off the top of my head, I can't remember.
Q. When did you do the analysis for Flint?
A. I did it in February of 2014.
Q. You mentioned that you can talk about this because it's public, correct?
A. Correct.
Q. Are there nonpublic engagements that Ernst & Young has been engaged for for cities in Michigan?
A. Not that I'm aware of.
Q. Are there other nonpublic engagements that you've been engaged in by any cities?
A. Nonpublic engagements, yes.
Q. How many of those are there?
A. I can't recall at the moment off the top of my head.
Q. Do those have anything to do with the



Detroit bankruptcy?
A. No.
Q. The -- did the City of Flint receive, other than the revenue sharing, any special assistance from the State in terms of monetary payments?
A. I don't know.
Q. Before the City of Detroit matter, though, had you ever forecast state revenue sharing payments?
A. Before the Detroit matter, no.
Q. In Flint, are there -- other than -- one difference between your projections in the City of Flint and the City of Detroit matter is the length of time over which the projection occurs, correct?
A. There were different time periods that I was asked to look at, yes.
Q. And you were asked to look at a shorter period for Flint, Michigan, correct?
A. I was asked to look at five years.
Q. Which is shorter than --
A. Which is shorter than 10, yes.
Q. Are there other differences in your methodology for the Flint projections compared to Detroit?



A. No.
Q. Were you asked to look at anything other than property tax and state revenue sharing, or did you do other sources of revenue?
A. We looked at other sources of revenue.
Q. Okay. What other sources?
A. So income taxes.
Q. Anything else?
A. So what I was responsible for was property and revenue sharing, so those are the ones that I'm comfortable talking about.
Q. I mean, do you know if there were other revenue sources?
A. There are other revenue sources, yes.
Q. What were the other revenue sources for Flint?
A. So those were the ones that I was not personally involved in forecasting.
Q. Well, I'm just wondering what they were, not the details necessarily.
A. Just like any city, they would have certain grants or other things, but that was not what I looked at.
Q. So one significant source of revenue for a city is grants from either the federal government

or the state government, correct?
MR. STEWART: Just a second. Objection.
BY MR. SMITH:
Q. Now you can answer.
MR. STEWART: You can answer the question.
THE WITNESS: I guess I don't know what the question is.
BY MR. SMITH:
Q. One significant source of revenue for a city is grants from the federal government or state government, correct?
A. I guess it depends on the city and what you mean by significant.
Q. For the City of Detroit, grant money from the state and federal governments is a significant source of funds, correct?
A. I don't know.
Q. You would agree that property tax revenue is a significant sort of revenue for Detroit, correct?
A. What do you mean by significant?
Q. Well, you've used the word significant before, right?
A. I don't know. I don't think I have.
Q. You're saying in your life, you've never



used the word significant before?
A. Well, I use it, but I don't know if I would use it in this context, so what do you mean by significant?
Q. Okay. The property tax revenue would be one of the top revenue sources for the City of Detroit?
A. So for the City of Detroit, when I look at the various tax components, property tax revenue makes up a good portion of the tax revenue that the City receives.
Q. Do you know what the proportion is?
A. So it's around 17 percent.
Q. And what's the proportion of revenue for the city that the state revenue sharing makes up?
A. Off the top of my head, I don't know.
Q. Would it be fair that to say that state revenue sharing is one of the top revenue sources for the City of Detroit?
A. State revenue sharing, when I look at the tax revenue plus the state revenue sharing, state revenue sharing is a good portion of that revenue, yes.
Q. Have you ever forecasted expenditures for a city?



A. Expenditures for a city? No, I haven't.
Q. Before -- before the Detroit matter, did you ever forecast property tax revenues?
A. Yes.
Q. What context did you do that?
A. I would do it for clients related to certain projects, so for example, I would be retained in my old job to look at a new facility and then to forecast the property tax revenue from that.
Q. Okay. But before the Detroit matter, you never forecasted the total property tax revenues a city received, did you?
A. For -- what do you mean the total forecast for a city?
Q. I mean you never forecasted the amount of property tax revenue a city would receive in total before your retention on the Detroit matter, correct?
A. That's correct.
Q. You've never been qualified as an expert by any court; is that correct?
A. That's correct.
Q. Have you ever been retained to do any expert work before in a litigation context?



A. Yes.
Q. And what context was that?
A. Sorry. Let me clarify. Do you mean -- so in my old job, my boss had been an expert on a number of cases, so I would work on his cases. I was not the expert, though.
Q. Okay. So you've done litigation consulting work before, but you weren't personally the expert, correct?
A. That's correct.
Q. When did you begin your work on the City of Detroit matter?
A. I started work in May of 2013.
Q. Have you ever forecasted municipal population levels before?
A. For specific projects in my old job, yes.
Q. Have you ever forecasted -- have you ever done a forecast for municipal revenue sharing for the Detroit matter?
A. No, I don't think so.
Q. And have you ever forecasted what future property assessments would be in a city before the Detroit matter?
A. So in this case, I forecasted taxable value, which obviously, has some relationship with

assessments, and this is the first time that I did that for a municipality, yes.
Q. You're not a lawyer, correct?
A. I am not.
Q. And you're not holding yourself out as a legal expert?
A. What do you mean by legal expert? I'm an expert in this case.
Q. Okay. Are you offering any opinions on the law like as it relates to this case?
MR. STEWART: Objection.
THE WITNESS: I don't think I'm offering opinions on the law. I'm offering opinions on the two things that are in my report.
BY MR. SMITH:
Q. Okay. So other than what's in your report, you're not offering any expert opinions other than that, correct?
A. That's correct.
Q. Okay. And is it fair to say that in your report, you're not -- or anywhere else, you're not trying to offer an opinion about interpreting the law, correct?
A. I'm not offering an interpretation of the law.



Q. Okay. Have you reviewed any depositions in this case?
A. Yes. No, I haven't. Sorry. I've reviewed expert reports. Sorry.
Q. But no depositions?
A. I have not reviewed depositions.
Q. So you didn't review Mr. Evanko's deposition?
A. I have not reviewed Mr. Evanko's deposition.
Q. You know who Mr. Evanko is, though, correct?
A. I do.
Q. Who is Mr. Evanko?
A. Gary Evanko --
Q. Yes.
A. -- is the city assessor for the City of Detroit.
Q. Have you -- you mentioned you had reviewed expert reports. What expert reports have you reviewed?
A. I have read Robert Cline's expert report and Gaurav Malhotra's.
Q. Any other expert reports?
A. Not that I'm aware of, no.



Q. You didn't read Charles Moore's expert report, correct?
A. I have not.
Q. And do you know who he is?
A. I do not.
Q. Do you know --
A. And I read Martha -- what's her last name?
Q. Ms. Kopacz?
A. Yes. Thank you.
Q. You read her report?
A. I did read her report.
Q. And you know that Ms. Kopacz opines that the forecasts Ernst & Young had presented were subjective, correct?
MR. STEWART: Objection.
THE WITNESS: I do not recall reading that, no.
BY MR. SMITH:
Q. Do you recall her doing an analysis where she calculated the effect of a 1 percent increase in property tax collections?
A. I did read her report where she did do the sensitivity analysis, yes.
Q. She found that increasing property tax collections by 1 percent could lead to more than a $20 million increase in revenue, correct?



A. My recollection from her report is that if you assumed that -- if you were able to change the parameter by 1 percent, what would that mean over the long haul, and my recollection is over 20 million in property tax revenue.
Q. Has Ernst & Young done any sensitivity analysis on its forecast to understand what changing the inputs would mean in terms of revenues available to the city?
A. Throughout the process, we would vary our assumptions, change our assumptions and see what the revenue impacts are.
Q. And what assumptions did you change during the process?
A. So for property taxes, we would change the important drivers, so whether it be taxable value or collection rates. Those are the key assumptions that we would change.
Q. And did you increase or decrease taxable value over time, I mean, in changing the assumptions?
A. Well, so do you have a -- I mean, both. I mean, there are times when we would say we would get a new piece of information, and we might adjust our growth rates, and sometimes they would raise

taxable value. Sometimes they would lower it. So it really depended on the particular situation we were modeling.
Q. So you used multiple values in your various work as for taxable value, correct?
A. Multiple values in our taxable value for forecast? So our taxable value throughout our forecasts would change as we incorporated more information, more data, so we've done several iterations. And so when we got -- received new information, we would incorporate it.
Q. And what other important drivers did you change multiple times?
A. Change multiple times? So we've done -- I think we're about -- I think there are five forecasts, five disclosure statements, so we've done the analysis, and we've updated it five times. And so like I said, given new information, we would look at the different components of taxable value, make some adjustments to taxable value, to the collection rate based on the -- whatever information was at hand.
Q. So one important driver of property tax revenue is taxable value, correct?
A. That's right.



Q. Another important driver of property tax revenue is the collection rate, correct?
A. Uh-huh.
Q. Are there any other important drivers of taxable value?
A. Well, so within taxable value --
Q. I mean -- let me re-ask the question.
Are there any other important drivers of property tax revenue?
A. Property tax revenue? So within property taxes, we forecasted, and by we, I mean I did analysis. I also talked with Bob Cline about it. So within the analysis, I would look at different components of taxable value and forecast that. What was your question, though?
Q. What are the other important drivers of property tax revenue?
A. So within property -- so tax revenue is dependent upon the tax levy. The tax levy is your equitable value times your tax rate and then how much are you going to collect. So those are the key components. Within taxable value, you have various drivers, so that would include population to the city is important. You would need to know sort of new economic activity, is there any



businesses started, is there new construction activity. These are all drivers of taxable value which ultimately then affects your tax levy, your collection and then ultimately your tax revenue.
Q. And the tax rate is an important driver of property tax revenue, correct?
A. What do you mean by important?
Q. It's a key -- tax rate is a key driver of property tax revenue, correct?
A. It is one of the -- it's one of the key drivers.
Q. And in your formula, increasing the tax rate increases property tax revenue, correct?
A. It depends, I guess. So if you were to hold --
MR. STEWART: You answered his question.
MR. SMITH: Are you telling her not to finish her answer?
MR. STEWART: No. I'm just telling her to let you ask your next question.
MR. SMITH: I think you're telling her not to finish her answer, Geoff.
MR. STEWART: Finish your answer if you want to finish your answer.
THE WITNESS: Okay. I was going to say it



depends.
BY MR. SMITH:
Q. Okay. You agree with me that if you hold everything else constant in your forecast, increasing tax rates increases property tax revenue, correct?
A. If you hold everything else constant and you increase the tax rate, you would get more tax revenue.
Q. And if you hold everything else constant, increasing the percent of state revenue sharing increases state revenue sharing revenue, correct?
A. If you hold everything constant and the state decided to give Detroit more money, they would have more money.
Q. It's basically -- the state has the discretion to improve Detroit's fiscal condition by just giving more revenue sharing, correct?
MR. ALBERTS: Objection.
THE WITNESS: Theoretically, the state could decide that they want to give more money to Detroit, and Detroit would have more money.
BY MR. SMITH:
Q. Do you know what the important -- the key drivers are of the income tax revenues for the City

of Detroit?
A. Do I know what they are? I did not do that analysis.
Q. But did -- I take it you're not offering any opinions on the income tax or the corporate tax or the wagering tax or the utility users tax, correct?
A. That's correct. I'm not offering an opinion.
Q. You -- one of documents you rely on is the Citizens Research Council report on Detroit. Do you recall that?
A. Which report?
Q. The one on revenues.
A. Do you know the title?
Q. It's called something like revenues available to the City of Detroit or something like that.
A. So I have looked at a Citizens Research Council report. It sort of fits that definition.
Q. Well, I'm just wondering is the Citizens Research Council a reliable source of information, in your view, on revenues available to the City of Detroit?
A. I think the Citizens Research Council does



excellent work.
Q. In general, you know that the Citizens Research Council has issued multiple reports on Detroit and its fiscal condition, correct?
A. I am not aware of how many reports they've issued.
Q. You know the Citizens Research Council has done significant work researching Detroit's fiscal condition, though, correct?
A. I don't know about significant. I know they've done that one report.
Q. You mentioned -- have you done previous work for the State of Michigan?
A. Specifically for the state?
Q. Yeah.
A. So I was hired by a group and worked with the governor on a state citizens guide to their -- it was a citizens financial guide to the state's finances.
Q. Was that when you were at Ernst & Young or your prior job?
A. That was my prior job.
Q. And so have you met the governor?
A. I have, yeah.
Q. And did you work with the governor in



creating the citizens guide?
A. So the governor -- I worked with his office on creating the guide that was released by him.
Q. Were your forecasts based on assumptions or other information provided by officials from the City of Detroit?
A. Can you say the question one more time?
Q. Were your forecasts based on assumptions or other information provided by the City of Detroit?
A. I had conversations with the City of Detroit about what they're planning to do on property taxes, and so I used that information to form my own assumptions for the analysis.
Q. Okay. Who did you have discussions with?
A. So I had discussions with Gary Evanko and Alvin Horhn and Michael Jameson and Linda Beatty and Nancy Caper, I think, is her last name. She's no longer there. Those are the people I can recall that I had conversations with.
Q. How many times did you have conversations with Gary Evanko?
A. I cannot recall the exact number. I will say that I have been on the phone with him at least



twice, and I've had e-mail exchanges with Gary.
Q. How long ago were you on the phone with Gary Evanko?
A. The last time I talked to him, it was on my sister's birthday. It was April 7th.
Q. And before that, do you recall when you spoke with him?
A. I think it was January 22nd.
Q. Have there been times when the City failed to respond to Ernst & Young's request for information for your analyses?
A. There are times the City did not respond to a specific request.
Q. What specific request did the City fail to respond to that you had made?
A. So I had asked Gary Evanko for detailed Renaissance Zones by property type. I wanted several years. He provided one year.
Q. Why did you want several years of information about Renaissance Zones by property type?
A. I wanted to see how the taxable value had changed from year to year.
Q. And why did you want to do that?
A. Just to see if there were fluctuations,

things that I would need to take into account for my forecasting model.
Q. And you wanted to have multiple years' data on Renaissance Zones because that would make your analysis more reliable and accurate?
MR. STEWART: Objection.
BY MR. SMITH:
Q. Is that fair?
A. I would not say it would make it more reliable. I had good information from the City for fiscal year 2014. I actually got it then later for fiscal year 2015. I always knew what the total Renaissance Zone amount was, which was important because I was forecasting general operating taxes. So in a sense, I didn't need to know that detail, but I wanted to make sure I understood what was happening just as a matter of course.
Q. I mean, without multiple years' data, you weren't able to look at fluctuations in the Renaissance Zones, correct?
A. I did end up with two years, so I could see some fluctuations.
Q. Okay. There's no way to do a historical trend based on two years' data regarding the Renaissance Zones, correct?



A. I was not able to do a historical trend more than two years for Renaissance Zones by property type.
Q. Did Mr. Evanko ever explain to you why he didn't give you information that you requested on Renaissance Zones?
A. He did.
Q. Why was that?
A. He was working at that point to prepare the taxable values for the current tax year, and so he was very busy and said he --
Q. Were there any other pieces of information you had requested that you didn't receive from the City?
A. Yes.
Q. What were those?
A. I requested what the taxable value of property that would be subject to the small business exemption starting in 2014. I asked what the taxable value of those properties were in a report.
Q. And who did you ask that?
A. I sent the request to our EY team who forwarded it on.
Q. Did you get an explanation about why you



didn't get that information?
A. I did not.
Q. Why did you want the information on small business exemptions?
A. So part of the analysis is looking at personal property, and the -- certain personal property is going to be exempt if the referendum passes, and so I wanted to have a sense of what property would be exempt. I had had conversations with the City about the size of that, and I wanted to see an actual report.
Q. Okay. But you were never sent the report on small business exemptions for the personal property tax, and you have never gotten any explanation about that?
A. That's correct.
Q. Were there other pieces of information you requested the City did not provide?
A. Not that I recall.
Q. Do you know if there are other people on the EY team that have made requests to the City that they did not fulfill in terms of information?
A. I don't know.
Q. Did you work with Katie Ballard at all on your analysis?



A. I did.
Q. What was her role in your analysis?
A. So Katie and my analysis, we mostly talked about population forecasts.
Q. And did Katie Ballard do some of the population forecasting that's in your analysis?
A. She did not.
Q. What did she do?
A. So we talked about how we thought we should do the analysis. We talked about places to go for certain data, so she was more somebody just to talk through what we were doing, and we -- me, her and Bob talked about our assumptions going forward.
Q. And so Katie Ballard, what's her educational background?
A. She has a master's degree in public policy.
Q. And when did she get that?
A. I'm not sure.
Q. How long has she been out of school?
A. I'm not certain. I think she's been out for four years.
Q. But you wouldn't view Katie Ballard as somebody qualified to do the -- any of the

forecasting for the City, correct?
A. I wouldn't say that, no.
Q. Okay. Did Katie Ballard do any of the forecasting for the City?
A. She did not.
Q. Has Katie Ballard ever done forecasting for the City before?
A. I don't know, so maybe I should say she did assist me on the Flint matter.
Q. Would it be fair to say that you were relying on the expertise of the City of Detroit people that you talked to in formulating the assumptions for your forecast?
A. I had conversations with the City, and I used the information that they gave me in forming my opinion.
Q. Did you do any independent testing or analysis of the information that was provided to you by the City for your forecast?
A. So what do you mean by independent testing?
Q. Did you go back and test any of the data that the city provided you for your forecast to ensure it was accurate?
A. I checked to make sure that the ad valorem



taxable value information they gave me matched what was in the State Tax Commission reports, and that was the only check to make sure that those numbers matched.
Q. Was there information that the city provided you that you didn't do independent testing for to ensure its accuracy?
A. I did not verify every piece of information, go back and see if I thought it was accurate. I did not do that.
Q. What were some of the pieces of information you didn't do any testing to verify its accuracy?
A. So for the most recent tax bills, the ad valorem data. I took that information they gave me since it was certified and used it.
Q. Anything else?
A. I had conversations with the City about when they were planning to hire consultants to do the reappraisal study. I did not go back and check to see when a contract was filed or things like that.
Q. Other information that you relied on from the City you didn't verify its accuracy?
A. I took information from their audited



financial statements. They had been audited, so I didn't go back and check. They ran certain reports from their system. I didn't have access to those systems, so I took that information.
Q. And other information you received from the City you didn't verify its accuracy?
A. I don't think so.
Q. I mean, basically on the conversations with the City officials that were used to formulate your assumptions, you didn't do anything to verify the accuracy of what the people at the City were telling you; is that fair?
MR. STEWART: Objection.
THE WITNESS: I don't think that's fair.
BY MR. SMITH:
Q. Were there instances, though, where people from the City gave you information verbally that you used in formulating your assumptions where you didn't go and try to verify the accuracy of the information?
A. There were times when the City would give me -- would tell me something over the phone or what they planned to do, and there are times that I would have conversations with our ground -- our team on the ground in Detroit. I would talk to



multiple people about what was going on, talk to the mayor. So there were times where I was able to make sure the information was consistent, and there were other times where they would run a report, and they'd give it to me, and I accepted it.
Q. So generally when the City would run a report from their system to which you didn't have access, you wouldn't do anything to verify the accuracy of that report, correct?
A. Sometimes I was able to go back and look to see if, like I said, the taxable value matched what was being reported to the state or available in other systems or would show up in a budget book or an audited financial statement. So there are times I was able to check to make sure the numbers were consistent, and then there were times where I had requested collection rate information by property type that they had to run a report for me. I talked to the person, made sure I understood it, made sure numbers added up, and then I would accept it.
Q. You didn't verify the accuracy of the collection rate information, though, that you have you were given by the City, correct?
A. If you mean by -- what do you mean by

verify?
Q. You didn't go back to actually test and verify the accuracy of the collection rate information that was given to you by the City, correct?
A. I was not able to go and, say, run the report myself or look at their base data.
Q. When you began work on this case, was there already some sort of model in place for forecasting property tax or state revenue sharing revenue?
A. There was a model in place for property taxes.
Q. Do you know who created that model?
A. I do not know.
Q. Did you look at the experience of any other cities in developing your forecast?
A. No.
Q. Do you know what cities would be comparable to Detroit in terms of their financial situation?
A. No.
Q. Did you rely on data provided by the assessor's office in formulating your opinions?
A. I did receive data from the assessor's



office.
Q. And you relied on that in formulating your opinions?
A. I did rely on some of that data.
Q. Did you work with Shavi Sarna at all?
A. I did.
Q. What was your interaction with that individual?
A. Shavi and I would have conversations. We would exchange e-mails. He would ask questions.
Q. Do you know what fees the City collects?
A. What do you mean by fees?
Q. Well, you know the City of Detroit charges fees for various services, correct?
A. Correct.
Q. Do you have any idea what fees the City of Detroit collects?
A. I don't.
Q. Do you have any idea what licensing revenues the City gets?
A. I don't.
Q. Do you have any idea what the mechanisms for property tax assessment are in the City?
A. What do you mean by mechanisms?
Q. I mean, can you -- are you able to explain



the mechanism or methodology used in assessing property taxes?
A. I don't know what the city assessor's office was doing to assess property. I don't know.
Q. Can you explain the methodology used by the City in collecting property taxes?
A. No.
Q. Can you explain to me the methodology the city used in setting property tax rates?
A. No.
Q. Can you explain the methodology the State used in setting the revenue sharing levels?
A. So there are two parts of revenue sharing. So there's the constitutional portion, which has a formula, and then there's the EVIP portion, the Economic Vitality Incentive Program. And in terms of how exactly they decide what they're going to allocate cities, villages or townships, I don't know the formula for that.
Q. Okay. So it would be fair to say that you don't know the formula or methodology used in setting the statutory portion of the revenue sharing; is that correct?
A. I wouldn't say that. The EVIP portion doesn't have a formula, and so it would be



inaccurate to say I don't know the formula because there isn't a formula.
Q. Let me re-ask my question then.
Would it be fair to say you don't know the methodology used in setting the EVIP portion of the state revenue sharing?
A. I personally don't know why legislators decide to allocate a certain amount of money to Detroit. There is a -- there are three components to EVIP. There's supposed to be -- they're supposed to meet certain things in order to get the revenue, but what the legislature decides year to year to allocate is their discretion, so...
Q. Basically the amount of revenue sharing, would you agree, is a discretionary political decision by the legislature?
A. For EVIP, it is the discretion of the legislature.
Q. And it's a political decision. The amount of money that the legislature decides to give to cities is decided by people who are elected and make a political decision about how much money to give, correct?
A. People who are elected make that decision.
Q. And the decision about how much money the

City gets in state revenue sharing is a decision that's made in the political process, correct?
A. I wouldn't say that because there are two components.
Q. The EVIP portion of the state revenue sharing is generated by political process, correct?
A. In that the legislature and the legislature is part of the political process, yes.
Q. And the EVIP portion is the largest portion of the state revenue sharing, correct?
A. For the City of Detroit?
Q. Yes, for the City of Detroit.
A. That's correct.
Q. In your view, what are the biggest sources of untapped revenue for the City of Detroit?
A. I don't have an opinion on that.
Q. Do you have an opinion about how the City of Detroit could increase property tax revenues?
A. I do not.
Q. The City of Detroit has never asked you or anyone else at Ernst & Young to use your expertise to increase property tax revenues for them, correct?
A. Correct. We don't do specific tax policy recommendations.


Q. Okay. So you're offering no opinion about whether the City can increase tax revenues, correct?
A. I'm not offering an opinion about whether they can increase tax revenues.
Q. And you're not offering an opinion about whether the City can pay the creditors more money in the bankruptcy, correct?
A. I'm not offering an opinion on that.
Q. And you're not offering an opinion about how much revenue the City would have if the bankruptcy case is dismissed, correct?
A. That's correct.
Q. I mean -- and in fact, Ernst & Young's policy would prohibit you from offering opinions about how much -- whether the City can generate more tax revenue or increase tax rates or do other things like that, correct?
A. So Ernst & Young would not want us to make specific recommendations on tax policy the City of Detroit should pursue. We just do the analysis.
Q. And why doesn't Ernst & Young allow its staff to make recommendations about tax policy like that?
A. So the bulk of our business is providing


auditing services, accounting services. We do, obviously, tax advisory. We prepare tax statements. Our business is not to consult in the policy realm in this way. And so I didn't make those decisions, but that's what I follow.
Q. Okay. So Ernst & Young is not in the business of offering tax policy advice to municipalities, correct?
A. So the work that I do, I do not provide specific policy recommendations. I don't know if other parts of EY offer, but I know as a whole, we don't make, say, specific tax policy recommendations.
Q. In the past, have you made tax policy recommendations to government in your other jobs?
A. In my other job, I would do the analysis around a policy change, and so I would provide my opinion sometimes about the change.
Q. I mean, you know that other cities have increased taxes to address fiscal distress to raise revenue, correct?
A. Some cities have done that, yes.
Q. And you're aware that cities have cut services in order to address fiscal distress and improve their fiscal situation?


A. Some cities have done that, yes.
Q. And you know that cities have added new fees for services in order to raise revenue to address fiscal distress, correct?
A. I don't know anything specifically.
Q. Do you know that other cities have imposed new taxes to raise revenue for -- to address fiscal distress?
A. That could be possible. I don't know of any specific instance.
Q. Do you know generally that there are a number of cities in the country now because of the recession we've had that are experiencing fiscal distress?
A. Yes, I'm aware of cities experiencing fiscal distress.
Q. In fact, you've worked for at least one other city that's experiencing fiscal distress in the state of Michigan, right?
A. That's right.
Q. And you know in the state of Michigan, there are multiple cities that are under the supervision of emergency managers because of fiscal distress, correct?
A. Correct.

Q. And what are the causes of these cities in Michigan having to be under the supervision of emergency managers and being in physical distress?
MR. STEWART: Objection.
THE WITNESS: I don't know the specifics for other cities.
MR. ALBERTS: Objection. I think you mean fiscal.
MR. SMITH: Yes, fiscal.
BY MR. SMITH:
Q. You know that declines in state revenue sharing have -- in Michigan have adversely impacted the fiscal situation of multiple cities, correct?
A. I can't talk about other cities.
Q. Do you know whether the City of Flint undertook efforts to try to get the state legislature to increase state revenue sharing?
A. I don't know.
Q. Do you have any opinion about the sources of untapped cost savings for the City?
A. I don't.
Q. Does Ernst & Young ever do any kind of evaluation of cities to determine how they can increase revenues?
A. I don't know.



Q. Is the only work that you've done for the City of Detroit the work leading to your expert opinions in this case?
A. Yes.
Q. Do you know whether there are any formal studies that have been conducted to ascertain whether Detroit can raise taxes or increase revenue?
A. I don't know.
Q. Do you know whether there are any formal studies that have been conducted to determine whether Detroit can cut costs more than half?
A. I don't know.
Q. Do you know of any formal studies -- can you identify any studies on Detroit property taxes or revenue sharing?
A. Do I know of any formal studies on Detroit property taxes or revenue sharing? Other than what the CRC report you mentioned earlier?
Q. Yes.
A. No.
Q. How many people assisted you in preparing your forecast?
A. So I did the work and the analysis. I had discussions with Bob Cline, Katie Ballard.



Q. What percent of your time is spent on the Detroit matter?
A. What percent of my daily just sort of work time?
Q. Your billable time.
A. My billable time? So I've been working on this for a year or a little over a year. My billable time might be around 50 percent.
Q. Do you know what proportion of your -- what proportion of Katie Ballard's billable time is spent on the City of Detroit?
A. I have no idea.
Q. Can you identify any other matters other than the City of Detroit that Katie Ballard works on?
A. What do you mean matter? Do you just mean projects or --
Q. Yeah.
A. Sure. She works on our economic impact studies for private clients, basically, you know, just some of our thought leadership pieces. And she also worked on our council on state taxation business tax burden study.
Q. Have you had any interaction with anyone from Conway MacKenzie?



A. I've been on phone calls where Conway & MacKenzie have been on the line.
Q. Do you have an understanding of Conway & MacKenzie's role in this matter?
A. I understand a little bit, and I've occasionally received things they prepared.
Q. Like what kind of things?
A. So when they put together some of the reinvestment initiatives, I would see a copy of it.
Q. And do you have any understanding of Miller Buckfire's role in this case?
A. I've interacted with lawyers from Miller Buckfire. I seen them as a coordinating role. I don't know any more what they're doing.
Q. I mean, when you say coordinating role, what exactly have you done with them?
A. So Kyle Herman, who works for Miller Buckfire, he would coordinate collection of materials. He would organize calls with the creditors, things like that.
Q. Would it be fair to say that there are people who have contributed information to your forecasts that you don't know who they are and you've never met?
A. No.

Q. Like people from the City?
A. So there are -- everyone at the City who provided information, I have had phone calls with them.
Q. Do you agree that the forecast that Ernst & Young has put together includes hundreds of different inputs?
A. Would I agree? I don't know how many inputs there are. I can only talk about mine.
Q. How many -- I mean, your piece of the forecast, would it be fair to say that your piece of the forecast includes numerous different inputs?
A. I guess what do you mean by numerous?
Q. Well, how many? Do you know how many inputs?
A. I don't, no. I mean, there are inputs. I wouldn't say -- yeah, there are inputs. I don't know how many.
Q. Do you know whether there's more than 100 inputs in your analysis?
A. There's not more than 100.
Q. Okay. I mean, would it -- do you have any understanding of how your piece of the forecast is put into the overall Ernst & Young forecast?
A. I have been able to see where it goes into



the disclosure statements.
Q. Okay. But do you have an understanding of how it's actually incorporated into the overall forecast?
A. I can see that they've taken my analysis and my forecast, and they've put that into their work.
Q. Are there hundreds of different spreadsheets that make up the Ernst & Young forecast?
A. I don't know how many spreadsheets.
Q. Do you know how many assumptions went into the Ernst & Young forecast?
A. I don't.
Q. Do you know how many assumptions went into your forecast?
MR. STEWART: Objection.
THE WITNESS: I don't.
BY MR. SMITH:
Q. Would it be fair to say that there's a series of assumptions that your forecast is based on?
A. There are some assumptions that my forecast is based on.
Q. And there are multiple assumptions that



your forecast is based on, correct?
A. There are multiple assumptions, yes.
Q. And your assumptions are based on your experience, correct?
A. My assumptions are based on my analysis of the information at hand, my conversations with the City, those things.
Q. Would it be fair to say your assumptions are based on information you got from the City and your own experience?
A. If you mean -- when you say experience, I would substitute that with my own data collection review analysis.
Q. Are your assumptions based on your judgment?
A. So I use my judgment in selecting what I thought were good parameters for final of certain assumptions.
THE VIDEOGRAPHER: Off the record. The time is 10:01 a.m.
(Whereupon, a short break was taken.)
THE VIDEOGRAPHER: We are back on record. The time is 10:09 a.m.



BY MR. SMITH:
Q. Ms. Sallee, you mentioned that your forecasts have been updated several times; is that correct?
A. They have been updated several times.
Q. And you've -- when you've received new information, you felt it was necessary to update your forecasts so they would be accurate and reliable, correct?
A. So when new information became available and when the EY restructuring team requested it, we updated our forecast.
Q. And is there any rule of thumb for how frequently a forecast should be updated?
A. Not that I'm aware of.
Q. You agree that as new information comes in, though, you should update the forecast to incorporate the new information?
A. As new information was presented, we did our best to try to incorporate.
Q. And if you don't incorporate new information, your forecasts can be less accurate and reliable than it otherwise would be, correct?
A. I would not say that.
Q. Okay. So we don't have to consider new

information at all? We can just let the forecasts sit there, and no matter what changes, it's okay, right?
MR. STEWART: Objection.
THE WITNESS: I don't -- what's the question?
BY MR. SMITH:
Q. If you don't incorporate new information as it becomes available, a forecast can become inaccurate or unreliable, correct?
A. No, I wouldn't say that.
Q. Okay. So if the property tax were increased by 100 percent, your opinion is you wouldn't have to update your forecast?
A. So new information can sometimes confirm what you've already put down, so that's why.
Q. And new information can also change your forecast, right?
A. Yes.
Q. And so it's possible that new information, if you don't incorporate it, your forecasts will be inaccurate or reliable. That's possible, correct?
A. So it depends on the situation. New information can improve the accuracy of the forecast. New information can confirm it.
Q. And in the hall, Mr. Stewart had his



finger in your face, didn't he, during the break?
MR. STEWART: Objection.
THE WITNESS: No.
BY MR. SMITH:
Q. Did you have a conversation with Mr. Stewart during the break?
A. I did.
Q. What was he telling you?
MR. STEWART: Objection. It's privileged. You know that.
MR. SMITH: You're directing her not to answer that?
MR. STEWART: Yes, that's right. Do you want me to start asking what you talk to your clients about? Do you want to waive it? Would you like to? We can have a mutual waiver across the board. I'd like to learn what you're telling Syncora.
BY MR. SMITH:
Q. How long did you talk to Mr. Stewart for?
A. Maybe 30 seconds.
Q. The -- do you know whether the assessor's office has been subject to any reviews by outside consultants?
A. I don't know.
Q. So you haven't been provided with reviews



of the assessor's office conducted by Plante Moran?
A. No.
Q. Were you aware that the assessor's office -- there have been a number of problems identified in the assessor's office?
A. I have a general sense that people have said there are problems.
Q. What problems are you aware of in the City of Detroit Assessor Office?
A. The only problem that people have talked about has been overassessments.
Q. That's the only problem that you're aware of in the assessor's office is overassessments?
A. That's the only problem that people have talked to me about.
Q. Would it be fair to say that you haven't cited any scientific literature or anything like that in performing your forecasting?
A. What do you mean by scientific?
Q. Well, there's no literature of any kind that you've cited as the basis for your forecast, correct?
A. So as I noted in my report, I followed the procedures laid out by the revenue -- the State of Michigan's Consensus Revenue forecasting, and



that's in report that I think was produced.
Q. Have you run any runs of your forecasts that had higher revenues available to the City?
A. I guess I don't understand your question.
Q. Have you done any runs of your forecast where you generated revenues that are higher than what you're forecasting currently for the City?
A. Yes.
Q. And what kind of runs?
A. So as you've noted, we've updated our analysis, our forecasts several times, and so previous earlier iterations had slightly higher property taxes.
Q. And are there runs that you haven't submitted to the creditors or others that have included higher revenues than you're forecasting?
A. Everything we've done has been turned over, so the creditors would have access.
Q. Do you agree that you've used your discretion in selecting the specific values for the assumptions in your model?
A. I've used my judgment in selecting the assumptions.
Q. Do you agree that in conducting a tax forecast, you should seek to gather all evidence

reasonably related to the forecast?
A. What's the question?
Q. Do you agree in conducting a tax forecast, you should collect all information reasonably related to the forecast?
A. So I think you need to make sure you take in relevant information in doing the forecast.
Q. And you should endeavor to collect all relevant information in doing a forecast, correct?
A. So it depends on what you mean by relevant.
Q. Have you ever used the word relevant before?
A. I have.
Q. Okay. Using your definition of relevant, do you agree that you should endeavor to collect all relevant information in doing a forecast?
A. I did endeavor to collect relevant information for the forecast.
Q. That's not my question. My question is do you agree that in conducting a forecast, you should endeavor to collect all relevant information?
A. I would say in conducting a forecast, you should collect information that's pertinent and related.



Q. And if you have incomplete information, your forecast can be inaccurate, correct?
A. Not necessarily, no.
Q. But it can be inaccurate if you have incomplete information, correct?
A. Incomplete information can make it -- it can go either way. It depends on the situation. I mean, the nature of forecasting, you're selecting data and assumptions. It's not complete, so there -- so yeah, I mean, there are situations and incomplete information could make it inaccurate, or it could not. It depends.
Q. Have you done any stress testing on your forecast?
MR. STEWART: Objection.
THE WITNESS: What do you mean by stress tests?
BY MR. SMITH:
Q. Well, I've seen reference to stress tests that have been conducted on forecasts before. Do you know what that is?
A. I have not done a stress test.
Q. Have you ever done any kind of stress testing on forecasts before?
A. What is stress test in this context?
Q. So you don't know what a stress test is in



the context of forecasting?
A. I guess I don't know what you mean by stress test.
Q. Do you know what length of time is the standard length the City uses for its forecasts?
A. I don't know anything about the City's forecasting.
Q. Have you ever looked at the consensus forecast for the City?
A. I did receive one piece of information that had their consensus revenue estimates for the next fiscal year.
Q. And do you know how many years they looked at?
A. I can't remember off the top of my head.
Q. Have you ever done a tax forecast for as long as 10 years?
A. I'm not sure.
Q. Have you ever -- you haven't done a revenue sharing forecast for as long as 10 years, correct?
A. I do not think I have.
Q. What are some of the factors that can occur over the next 10 years that could affect the actual values for property taxes or revenue



sharing?
A. What do you mean by actual values?
Q. The actual collections of property tax revenue and the actual amount of money that's received from revenue sharing.
A. Sure. So population rate is important, employment, new economic activity. These are all things that are driving both the portion of state revenue sharing and property taxes.
Q. If population increases, the revenue from property taxes and revenue sharing could increase, correct?
A. It's possible.
Q. And if employment increases, the revenue from property taxes and revenue sharing would increase?
A. It's possible.
Q. And if economic activity increases, revenue from revenue sharing and the property taxes would increase?
A. It's possible.
Q. And is that -- are those -- your model, though, do revenues increase if employment, population or economic activity increase?
A. So in our model, if there is greater

economic activity, we have better property tax revenues.
Q. If there's increased economic activity, do you -- does your model generate increased revenue sharing, or does it not take into account economic activity for revenue sharing?
A. So revenue sharing, because it is based on per-capita distribution on the constitutional side and for EVIP, there's no formula. Economic activity, it doesn't really affect it directly.
Q. There was no formula you used for calculating the revenue sharing that you projected, correct?
A. That's not true.
Q. Well, I mean, you were just saying no formula. What did you mean?
A. There's no formula in how the legislature allocates the EVIP portion.
Q. Does increasing population in your model increase property tax revenues or revenue sharing?
A. So there's no direct link between a one-for-one population increase causes property tax increase. So there's no one-to-one relationship in the model.
Q. Does your model take into account the



effect of population on property tax increase at all?
A. So population forecasts were used to inform certain growth rates in the model.
Q. Okay. So an increasing population could increase growth rates which would increase property tax revenues in your model; is that correct?
A. That is fair.
Q. In your model, does an increase in employment lead to an increase in property tax revenue or to revenue sharing?
A. So an increase in employment doesn't affect the revenue sharing in our forecast. And employment, there's no sort of direct input for employment on the property tax side. It would be something that would help to inform a growth rate of a tax base.
Q. Okay. So increased employment could increase growth rates, which would increase property tax revenues in your model, correct?
A. So it depends. Employment in Detroit doesn't mean that someone is a property owner, and so in that sense, we're concerned doing the forecasting about the different tax bases. So employment can mean that there is additional



property or not.
Q. In your model, does increased employment in the city among residents lead to an increase in property tax revenue?
A. There's no direct relationship in the model between employment and the tax bases.
Q. Okay. What is the relationship then in the model?
A. Sure. So in the model, there are four different tax bases, and so employment is something that's important for -- I guess for all three, for residential, commercial, industrial. So if you have improved economic activity, improved employment, we could see those tax bases grow, and that could translate into more tax revenue, but if everything else is equal. So there's other factors that drive the model.
Q. Do you agree that increased employment will lead to people purchasing more goods and services in the city and an increase in sales tax revenue?
MR. STEWART: Objection.
THE WITNESS: Can you say that one more time, your question?



BY MR. SMITH:
Q. Increased employment will lead to an increase in people purchasing goods and services in the city and an increase in sales tax revenue?
A. It's possible.
Q. Your model does not take into account increased employment having any effect on revenue sharing, correct?
A. That is correct.
Q. Can you identify any forecast comparable to the Ernst & Young forecast that's been done for Detroit over a 10-year period?
A. I have not seen any other forecast.
Q. Can you identify -- so you've never seen any forecasts like that Ernst & Young has done for Detroit in any Chapter 9 bankruptcy, correct?
A. I have not looked at any other Chapter 9 bankruptcies.
Q. Have you done any investigation to find out what other forecasts have been done to model property tax or state revenue sharing for a municipality?
A. Have I -- what's your question?
Q. Have you done any investigation to look at other forecasts for property tax revenue or revenue

sharing in a municipality?
A. I have not looked at other forecasts.
Q. Do you agree that the longer period of time a forecast covers, the less reliable it becomes?
A. No.
Q. So your point of view is that your 40-year forecast is as reliable and likely to be accurate as your 10-year forecast, correct?
A. My opinion is the -- we did a 10-year forecast, and we did an extrapolation for 30 years, and it could go either way. That's the nature. It could be as accurate as the 10-year. I don't know yet.
Q. There's no way to note -- no way to assess the level of accuracy of your forecast, correct?
A. The way that you could assess the accuracy is to compare the forecast with actual, and the actual hasn't happened yet.
Q. So there's, in fact, no way to assess the accuracy of your forecast, correct?
A. Right, except for comparing to actual, and our actuals so far have come in pretty well compared to the forecast.
Q. And how long has your forecast been in



existence?
A. We did the first iteration in June of 2013.
Q. You're aware that the City is failing to collect approximately half of the property taxes owed, correct?
A. I am aware, sorry, half of property taxes on the residential.
Q. Okay. And are you aware that the City has identified more than 100,000 properties where taxes have not been paid in addition to the foreclosed properties?
A. I don't know the number.
Q. Do you know that the City has identified over $504 million in unpaid property taxes that are owed to it?
A. I don't know the amount.
Q. Your forecast doesn't take into account or doesn't include any amounts for payment of property taxes that are owed, but haven't gone collected thus far, correct?
A. That's not correct.
Q. Okay. How does your forecast take into account the property taxes that are owed to the City from prior years, but haven't been collected?



A. So in Michigan, unpaid taxes at the municipal level are turned to the county for collection, and so the county will try to collect on them, and then it will foreclose and has been doing public auctions to sell the property. So the model takes into account net payments from the county, which would be then the county paying for the taxes that these properties owe. And so that's factored into the property tax collections in the model.
Q. Do you know what percent of the owed taxes your model predicts will be actually paid from prior years?
A. Not in that way, no.
Q. Do you know what -- is there a collection or a payment rate or anything like that that is incorporated into your model for the past year's owed taxes?
A. So the model includes a percent of the tax levy that is assumed the City will receive from Wayne County.
Q. Okay. And what number is that?
A. It depends on the year.
Q. How did you select that number?
A. So Wayne County provided their prior



year's net revolving fund payments, and so it analyzed the trends and what had been happening and had some conversations about what was happening with the foreclosure process and then used judgment to select what was going to happen in future years.
Q. Okay. So in terms of the amount of collection that will occur with respect to amounts already owed from prior years, you implemented different assumptions for different years based on your judgment; is that fair?
A. What's the question?
Q. For the amount of property tax that would be collected from prior years that's still owed, you implemented different assumptions for different years based on your judgment?
A. So using my judgment, I selected payment amount from Wayne County that was likely, and that varied by year.
Q. Okay. And how did you go about using your judgment to figure out how to vary the payment amount by year?
A. So using data from the past, we're able to see what was happening over the last -- I guess I got data for eight or nine years is my recollection, and I was able to see what had

happened after the recession. And so we were able to see the trends where there were -- what the payments were doing and then getting to kind of a more stable steady state going forward and was able to see what was happening trend-wise and then see what was reasonable, use our judgment to select what's reasonable.
Q. I mean, you don't know what will happen in future years in terms of property tax collections?
A. It's a forecast, yes. I don't know.
Q. I mean, you just don't know. You have to kind of engage in a certain amount of guesswork or speculation in order to choose the assumptions for the model, correct?
MR. STEWART: Objection.
THE WITNESS: I wouldn't say guesswork. I think performed an analysis, used the analysis to form my opinion.
(Document marked No. 1)
BY MR. SMITH:
Q. Why don't I hand you what's been marked as Exhibit 1, and you can let me know if you've seen this document before. Ever seen that document?
A. No, I haven't.
Q. Okay. I'd like to ask you about Page 5 at the bottom, the last bullet point.



MR. ALBERTS: Could you just say what the document is, please?
MR. SMITH: It's City of Detroit Assessing Division Observation and Opportunities by Plante Moran.
MR. STEWART: Just for the record, the control numbers probably, too, for those who don't have it in front of them.
MR. ALBERTS: Thank you.
BY MR. SMITH:
Q. At the bottom of Page 5, there's some observations in the document. The last bullet says a review of Tribunal opinions and judgments reveals that there have been instances in which appraisers were not present for hearings thereby leaving the City unrepresented. Do you see that?
A. Uh-huh.
Q. Were you aware that people from the appraiser's office weren't showing up for hearings on property taxes that were owed?
A. No.
Q. Then if you turn over to Page 21 -- well, let me ask you this first before we get to the document.
Do you agree with me that in valuing real



estate, it's important to base valuations on arm's length transactions?
A. I don't know.
Q. You just -- would it be fair to say you're not aware of the standards for reliably valuing real estate?
A. I was not asked in this case to evaluate real estate for the City of Detroit. I took the information that was given to me.
Q. Do you know -- and that information, was that from the assessor's office?
A. Some of it.
Q. And you know that there have been many foreclosures in the city of Detroit, correct?
A. Correct.
Q. Do you know whether a foreclosure is an arm's length transaction?
A. I wouldn't think it would be.
Q. I mean, so a lot of the sales in Detroit -- a lot of the sales or exchanges of properties in Detroit have been non-arm's length transactions. Are you aware of that?
A. I don't know.
Q. Page 21, you see at the bottom in observations, the first bullet says valuation is



supposed to be determined by arm's length transactions.
Sitting here today, you don't dispute that, correct?
A. Correct.
Q. And it says one assessor estimates that of the 12,000 sales included in last year's sales study, only 550 were arm's length transactions. Do you see that?
A. I do.
Q. Were you aware of that information before you formulated your opinions?
A. I have not read this document, no.
Q. Were you aware of that information from any source, though, before you formulated your opinions?
A. The specific information, no.
Q. Were you aware that the vast majority of transactions that form the basis for the valuations you've been given for real estate are not arm's length transactions before you formulated your opinions?
A. So I knew, obviously, they were not arm's length transactions, so I was aware of some of it. This particular number I didn't know.

Q. Were you aware that the majority of transactions that form the basis for valuations you've been provided were not arm's length transactions before you formulated your opinions?
A. I didn't know if it was the majority.
Q. Did you know the percentage at all of the transactions that were not arm's length that form the basis for the valuation you were provided?
A. I did not know what percentage were not arm's length transactions.
Q. Would it be fair to say you're not qualified to assess the reliability of the real estate valuations for property in Detroit that you've been provided?
A. I was not asked to assess the reliability of the assessments.
Q. Would you be qualified to assess the reliability of the assessments you've used in your forecast?
A. What do you mean qualified?
Q. I mean are you somebody who is qualified enough to be able to tell how reliable the assessment valuations that you've been given are, or does that require somebody with a different skill set?



A. So in the work that I did, I did some analysis of the assessments and came to my conclusion that they were overassessed. I did not systematically look at their transactions and their process of assessing.
Q. Okay. So one of the bases for your forecast is your determination that property is overassessed in the city, correct?
A. I do think property was overassessed, yes.
Q. You've never been trained in property assessment, correct?
A. I have not been trained to assess property.
Q. Do you know whether there's standards governing property assessment?
A. There are methods for assessing property, yes.
Q. And have you been trained in those methods?
A. Formally trained on those methods?
Q. Yes.
A. I have not.
(Document marked No. 2)
Q. Were you aware -- let me hand you what's been marked as Exhibit 2. It's a news article entitled Detroit's Property System Plagued By



Mistakes, Waste. Have you ever seen this article?
A. I don't think so.
Q. Have you seen any of the news articles that have been issued on the problems with Detroit property collections?
A. I have seen news articles on this issue.
Q. Okay. And the first sentence says the city's property tax system is riddled with errors and waste and is overseen by a pair of double-dipping officials who work just two days a week the Detroit news investigation has found. Do you see that?
A. Uh-huh.
Q. Were you aware of that information before you formulated your opinions?
A. Was I aware of this reporter's opinion that the City's tax system is riddled with errors and waste? What's the date on this? No.
Q. Were you aware of people who had come to the conclusion, though, that the Detroit property tax system is riddled with errors and waste before you formulated your opinions?
A. I don't know about waste or what the definition -- I, obviously, had conversations where people talked about the property being overassessed



or problems with the system, but no specifics were told to me.
Q. What problems with the Detroit property tax system were you told of?
A. These are just general recollections, but problems with how property was assessed leading to overassessments and property collection issues, but these type of issues relating to the logistical collection are not things that we dealt with in our forecast.
Q. Were you aware that Ernst & Young had done its own review of the property tax system in Detroit?
A. What do you mean by review?
Q. Well, you see there's a section in that article entitled hardest job in the state?
A. Okay.
Q. And you see in the first paragraph it talks about a Plante Moran review, correct?
A. Yeah.
Q. And the second paragraph, it says one review by Ernst & Young concluded the two departments have a prevailing culture which is riddled with bureaucracy and a lack of accountability. Do you see that?

A. Okay.
Q. Were you aware that Ernst & Young had conducted a review of the property collection processes in Detroit before you worked on your opinions?
A. No.
Q. And nobody has provided you with a copy of the report in which Ernst & Young concluded that departments in the city relating to property taxes have a prevailing culture which is riddled with bureaucracy and a lack of accountability? Do you see that?
A. Uh-huh. I did not receive a report that Ernst & Young had done.
Q. And you're not in a position to dispute Ernst & Young's conclusions that the City's departments charged with property tax collection have a prevailing culture which is riddled with bureaucracy and a lack of accountability, correct?
MR. STEWART: Objection.
THE WITNESS: I didn't work on this report, and I've not seen it, so I can't comment on it.
BY MR. SMITH:
Q. Were you even told who at Ernst & Young might have done reviews of the City's property tax



collection processes?
A. I know the team in Detroit, but I don't know who did this study.
Q. Okay. So the team in Detroit you've been working with daily never informed you that they had done a review of the City's property tax collections and found that it was riddled with bureaucracy and had a lack of accountability, correct?
(Document marked No. 3 and No. 4)
A. We never had a specific conversation about a report that reached those findings, no.
Q. Let me hand you what's been marked as Exhibit 3. I'm just wondering if you've ever seen this document before?
A. No.
MR. STEWART: Before you testify about it --
MR. SMITH: I don't have any questions about it other than whether she's seen it.
THE WITNESS: No, I haven't seen it.
BY MR. SMITH:
Q. Okay. I'm going to hand you what's been marked as Exhibit 4, which is a Detroit news article entitled Half of Detroit Property Owners Don't Pay Taxes, and you can let me know if you've ever seen this news article before. Is that



something that you've seen?
A. I may have seen it. I'm not recalling whether I read this or not.
Q. Going back to the -- were you aware that property tax bills were frequently sent to the wrong address in Detroit?
A. No, I wasn't aware.
Q. Were you aware that homeowners exemptions have been granted to people without proof of eligibility in Detroit?
A. No, I wasn't aware.
Q. Were you aware that the City is going to undertake a review because it believes that there may be people that are improperly taking homeowners exemptions?
A. I was not aware of that.
Q. Are you aware that the City has begun implementing reforms of its property tax collection system to improve revenues?
A. I've had some conversations that note that they've done some -- they're working on that. I don't know any specifics.
Q. Who have you had those conversations with?
A. Just conversations with the Detroit team, the EY Detroit team, so I don't remember who



specifically, though.
Q. Do you know what an equalization factor is?
A. I do.
Q. And you know that an equalization factor of 1 means that property is properly assessed in the view of the county, correct?
A. It means that the county believes property has not systematically been over or underassessed.
Q. And in fact, Detroit has always received a value of 1 meaning that property is not over or underassessed, correct?
A. I wouldn't reach that conclusion. The county has given them an equalization factor of 1, and so the processes that they're following have given them an equalization factor of 1. That doesn't mean that in reality or by other measures, the property is not over or underassessed.
Q. You're aware that the county has always given Detroit an equalization factor of 1, correct?
A. I don't know always. I know when I looked at the last 10 years, they've received an equalization factor of 1.
Q. You're not aware of any instance where the City of Detroit didn't receive an equalization

factor of 1, correct?
A. When I looked narrowly at the last 10 years, they received a factor of 1.
MR. SMITH: Can we take a break real quick.
THE VIDEOGRAPHER: Off the record. The time is 10:47 a.m.
(Whereupon, a short break was taken.)
THE VIDEOGRAPHER: We are back on the record. The time is 10:56 a.m.
(Document marked No. 5)
BY MR. SMITH:
Q. Okay. Ms. Sallee, I'm going to hand you what's been marked as Exhibit 5. It's some excerpts from Mr. Evanko's deposition. On Page 36, if you open it up, 36 is the first page in here. At the top, he's talking about the equalization factor. Do you see that?
A. Uh-huh.
MR. STEWART: Before any questions are asked or answered, I'm going to interpose an objection. The judge has made it very clear, Mr. Smith, that asking one witness about another witness's testimony is improper. He has barred it. And as you're aware, under Rule 30, the Federal Rules of Evidence apply to depositions. You're not allowed



to ask any of these questions. It's an improper line of questioning.
MR. SMITH: Okay. So your position is she's not allowed to look at the Evanko deposition?
MR. STEWART: No. My position, I'd like you to not interrupt me. That's my position.
MR. SMITH: You're wasting time.
MR. STEWART: Wait. You just took a nine-minute bathroom break, and you're telling me I'm wasting time?
MR. SMITH: The witness went to the bathroom, too, right? The witness went to the bathroom at the last break.
MR. STEWART: Because you were sitting going through your papers because were not prepared.
MR. SMITH: No. I went to the bathroom. The witness went to the bathroom, right?
MR. STEWART: No.
MR. SMITH: Did the witness go to the bathroom?
MR. STEWART: We were both sitting here five minutes while you were shuffling your papers. Then people decided to go because we weren't sure what you were up to.
Now, let me finish my objection. As you know, under Rule 30, the Federal Rules of Evidence



govern depositions, and it's an improper use of a witness's testimony to show it to another witness. I'm not going to instruct her not to answer it, but I'm going to put in a categorical objection to every single question you ask of this because it's improper, and the judge has already told Mr. Hackney in court not to do this.
MR. SMITH: Okay. Why don't we put aside the deposition for a second. Is there any bar, in your opinion, to showing the witness testimony of Mr. Evanko before --
MR. STEWART: Yes. It's improper. It's inherently asking her to speculate about somebody else's testimony.
MR. SMITH: Okay. But outside of the deposition, your opinion is nobody can see the depositions outside?
MR. STEWART: No. You're not allowed to examine a witness about the testimony of another witness. That's what the evidentiary rule is, and you know that very well.
MR. SMITH: No, I don't know that that's the rule actually. I've never heard of that rule in my life, but --
MR. STEWART: Well, maybe you should share it



with Judge Rhodes.
BY MR. SMITH:
Q. Has anybody communicated to you that Mr. Evanko has called your forecast ridiculous?
MR. STEWART: What part of this are we looking at?
MR. SMITH: We're not looking at the testimony. I put it aside.
MR. STEWART: Okay.
THE WITNESS: I don't remember anyone telling me that he said my -- our forecast was ridiculous.
BY MR. SMITH:
Q. Has anybody shared with you Mr. Evanko's criticisms of your forecast?
A. Mr. Evanko's criticism of our forecast, no. I haven't received specific -- I haven't -- I haven't been told of his criticisms of the forecast.
Q. If Mr. Evanko made criticisms of your forecast, would you want to know that?
A. Would I want to know that? At this point, they've been completed, but -- so would I want to know that? As a matter of just knowledge, sure.
Q. Well, you understand you're going to testify at the confirmation hearing, right?

A. I'm going to testify at the confirmation hearing for this matter, yes.
Q. And before the confirmation hearing, wouldn't you want to know if Mr. Evanko had characterized -- had criticisms of your forecast?
A. I would like to know.
Q. And why would you like to know that?
A. I would find it surprising.
Q. You agree that equalization factor of 1 means the county has determined that property is being properly assessed and not overassessed or underassessed, correct?
A. Equalization factor means that the county believes the process has not systematically over or underassessed property.
Q. And currently you understand that the county is giving Detroit an equalization factor of 1, correct?
A. The county is giving Detroit an equalization factor of 1.
Q. And it would be unlawful for the City to assess property in any way that was inconsistent with what the county was saying, correct?
MR. STEWART: Objection.
THE WITNESS: I don't understand that question.



BY MR. SMITH:
Q. It would be unlawful for the City of Detroit to assess property in any way that was inconsistent with the way the county assessed property, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know. There are rules governing how property must be assessed, and so municipalities have to follow those, and the county has to follow their procedures as well.
BY MR. SMITH:
Q. And if the county assessed an equalization factor different than 1, Detroit would have to change its assessments, correct?
A. The equalization factor would be applied to what the City had assessed, and it would be modified in those ways. In that way.
Q. Okay. So it would -- if the county implemented a different equalization factor other than 1, then as a matter of law, the assessments would be changed, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know if the assessments would be changed. The assessment factor is multiplied by what the City produces.



BY MR. SMITH:
Q. So property taxes would be changed on the properties if the equalization factor were different than 1, correct?
A. Property taxes are based on taxable value, and state -- you're talking about the state equalized value, which is a different concept.
Q. Do you -- would it be fair to say that your opinion that Detroit property is overassessed is inconsistent with the determination of the county?
A. I don't know inconsistent. The county has their process by which they review and they assign an equalization factor. And using their rules, they've come up with their opinions. And I've looked at it differently, and I come up with my own opinion that it's overassessed.
Q. Okay. So the methodology you used for determining assessments whether properties are properly assessed in the city is different than the county's methodology, correct?
A. It could be. I don't know.
Q. You don't know what methodology the county uses, correct?
A. I don't know specifically what they looked



at in determining the equalization factor.
Q. The county's conclusion that property is properly assessed, though, is inconsistent with your conclusion that it's overassessed, correct?
A. The county in using the equalization factor has said that it's not under or overassessed, and my conclusion is that it's overassessed.
Q. So you've come to inconsistent conclusions with the county, correct?
A. My opinion is different than the county's.
Q. The planned reassessment, do you know who is going to be conducting that?
A. No.
Q. Do you know what method will be used for the planned reassessment?
A. I understand generally how they go about reassessing.
Q. But do you know -- I mean, do you know what reassessment methodology the unidentified contractor who is doing the reassessment is going to employ?
A. I do not know specifically what they're going to do.
Q. Do you know how long the planned

reassessment is going to take?
A. I was told it would take three to five years.
Q. Who told you that?
A. Alvin Horhn.
Q. Is that somebody at the City?
A. It is.
Q. And do you know when the planned reassessment will begin?
A. Initially I was told they wanted to have a contract in place by March 2014. The last time I checked to see if a contract was in place I was told they were working on that, or they thought they were going to have it done this month.
Q. Okay. So so far there's no contract, as far as you're aware, that has been written for the reassessment?
A. I don't know if a contract is in place.
Q. And have you also been told that the reassessment could take longer than five years?
A. I have not been told that.
Q. Do you know when -- do you know whether it's possible that the reassessment may not occur?
A. I don't know anything about the contract.
Q. Would it be fair to say that you just



can't provide us with any specifics about what the planned reassessment is going to entail one way or the other?
A. I don't know the specifics about the reassessment. I know generally what they're going to do.
Q. Has anybody informed you regarding Mr. Evanko's opinion that the reassessment -- he doesn't know whether it's going to increase or decrease property values?
MR. STEWART: Objection.
THE WITNESS: I have not been told what Mr. Evanko said during his deposition about that matter.
BY MR. SMITH:
Q. Wouldn't you want to know if Mr. Evanko said that he couldn't say that the property reassessment would result in lower property values?
A. What's the question?
Q. Wouldn't you want to know if Mr. Evanko's opinion was that the property values would not necessarily change under the planned reassessment?
A. I guess I would want to know that. That would be surprising.
Q. Would it be surprising to you if -- well,



let me ask you this. Would you want to know if Mr. Evanko determined that your forecast of the personal property tax was ridiculous?
A. Would I want to know that? That, again, would be surprising.
Q. Is that something you would want to know?
A. It would be something I would be interested in, sure.
Q. Did you ever submit your forecast to anyone at the City to solicit their opinion after you were done about whether your forecast was reasonable?
A. We discussed sending the forecast to the City back when we started a year ago, and I don't believe we ever did that. They did review our forecast. I had a conversation in January with Gary Evanko, and he had seen what we put together is my recollection, so we had conversations about the forecast for sure.
Q. So Mr. Evanko's familiar with details of your forecast, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know if he's familiar with the details. I couldn't say for him.



BY MR. SMITH:
Q. You didn't -- the current forecast, though, the one that's been completed in July, you never resubmitted that to the assessor's office to determine if they thought that it was reliable and accurate, correct?
A. I did not turn over the July forecast to the City. I did not provide it to them.
Q. Do you agree there are -- well, we've talked about how there are a lot of people that are in Detroit that are delinquent on their property taxes. Do you recall that?
MR. STEWART: Objection.
THE WITNESS: We talked about -- you showed me some articles about that.
BY MR. SMITH:
Q. And you agree there are many reasons that people don't pay their property taxes, right?
A. Yeah, there are many reasons.
Q. One reason people may not pay their property taxes is if they believe that enforcement efforts are lax, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know specifically why people are not paying their taxes.

BY MR. SMITH:
Q. So you --
A. It would be speculation. I don't know.
Q. You haven't undertaken any analysis to determine why people in Detroit aren't paying their taxes?
A. I have not undertaken an analysis other than reading articles about what people say.
Q. Okay. And you've seen then statements that people say they're not paying property taxes because city services are poor, correct?
A. I could have read something about that.
Q. And have you also seen statements that people aren't paying taxes on their property because they believe assessments may be inaccurate?
A. I have read that.
Q. Have you seen statements that people may not be paying taxes on their property because they believe the City doesn't enforce the property tax?
A. I don't recall any article about that. Maybe it's in one of them that you just showed me.
Q. Have you undertaken any investigation into what enforcement efforts the City makes on property taxes?
A. No. That was assigned to a different



group.
Q. When you say assigned to a different group, who was that assigned to?
A. My understanding is that Conway & MacKenzie and others were looking at those issues.
Q. Given the collection rates in the city, though, it's obvious that the City is not doing a good job of collecting property taxes, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know what you mean by good job.
BY MR. SMITH:
Q. Okay. Well, in your view, how would you characterize the City's job in collecting the taxes?
A. I can't speak to the City's job. I know their collection rates are -- for residential property in particular, you know, is at 50 percent, so it's lower compared to, say, Flint for example.
Q. Do you know what Flint's collection rate was on property taxes?
A. Off the top of my head, I can't give you year by year. They've had lower collection rates recently with their fiscal problems, but --
Q. Is the collection rate in Flint above 70



or 80 percent?
A. I'm going off memory, and so I believe it was -- it was over 70 percent.
Q. Can you identify any city in the country that has a lower property tax collection rate than Detroit?
A. I haven't studied other municipalities' collection rates, so I don't know.
Q. And so you can't identify any?
A. I can't speak to that question. I don't know.
Q. Well, you've worked with some other cities, right?
A. I have worked on projects that involved other cities, yes.
Q. Okay. So based on your experience with other cities, you can't identify any city that has a lower property tax collection rate than Detroit, correct?
A. I haven't looked at collection rates for other cities, so I wouldn't know.
Q. Well, Flint you know?
A. Flint I know.
Q. Do you agree that there are a number of factors other than taxes that impact a person's



decision whether to live in a city?
A. I would agree with that.
Q. Do you know whether there are corporations that are exempt from the property tax in the city?
A. Do I know if there are corporations that are exempt from property tax?
Q. Yeah.
A. There are property that is exempt. I don't know the specific names of any of the companies that have exemptions.
Q. Do you have any idea of the proportion of property that is exempt from the property tax?
A. I do.
Q. Can you give me the numbers in the ballpark?
A. Yes. So in fiscal year 2015, about 11 percent of taxable value is in a Renaissance Zone and is exempt from general operating taxes.
Q. Are there other property tax exemptions that apply in Detroit?
A. There are.
Q. And how much property is exempt under other exemptions?
A. When I looked at this, a very small amount, so less than -- I would say approximately,

I'm going off memory, about 1 percent or so of taxable value when I looked at, say, the industrial facilities tax, and then there are others that I was not given data, so I don't know.
Q. And you know that property tax collections historically have been higher in the city of Detroit, correct?
A. Historically meaning just what?
Q. In the last few years since 2005, there have been higher collection rates in the city of Detroit, correct?
A. There are have been higher collection rates, yes.
Q. And how high have the collection rates have gone in prior years?
A. So I can tell you from memory that in 2007, I know residential collection rates -- I'm sorry. Collection rates on residential property was around 70 percent. I can't recall specifically industrial/commercial off the top of my head, but they're already around in the 80s.
Q. Do you recall that residential collection rates were as high as -- they were over 76 percent in 2008?
A. That sounds right.



Q. And do you have any explanation for why collection rates have decreased in the city of Detroit in the last few years?
A. There are a couple of factors, I think, so one is that the City was not removing blighted property or abandoned property from its roll when it was sending tax bills. So if you look at the tax levy and then what's collected on it, the collection rate was falling for that reason. So once you start removing blighted properties and others, you would see the collection rate go up, but I think it contributed to its decline.
Q. Anything else that contributed to the decline in collection rate?
A. The other issues would just be ones that I read or people saying they didn't -- they thought their taxes were too high and overassessed, and they weren't going to pay.
Q. Anything else that contributed to a decline in collection rates in Detroit?
A. I mean, there are sort of economic factors, and people found they couldn't pay.
Q. Anything else that contributed to a decline in collection rates in Detroit?
A. Nothing that I have specific information



about.
Q. And you anticipate the blight reduction effort should increase collection rates?
A. So blight reduction will remove -- well, so removal of blight properties off the tax roll would mean that the tax base becomes smaller, and you should see the collection rates go up.
Q. Do you agree the blight reduction should increase property values?
A. It could.
Q. And that's the City's goal, in part, in blight reduction to increase the value of property in the city, correct?
A. I don't know the City's goal.
Q. Have you done any investigation at all into the City's blight reduction plans?
A. The only information on blight reduction I've received is what was put together in the restructuring and reinvestment initiatives.
Q. Have you done anything to look at other cities and how they've improved property tax collections?
A. I have not.
Q. You are aware, though, that there are other cities that have improved their property tax



collections through a variety of mechanisms, correct?
A. I haven't looked at any other cities.
Q. Did Flint, Michigan improve its property tax collections?
A. During what time frame or --
Q. Well, recently have they undertaken efforts to improve property tax collections?
A. I don't know.
Q. Are you aware of the fact that there are individuals in the city of Detroit, speculators and investors, who are purchasing properties, not paying the taxes and then allowing them to be foreclosed and repurchasing them?
A. I don't have any specific information related to that. I had a conversation with an EY person who -- his impression was that's -- that some of that was going on.
Q. And so there are people who are avoiding paying property taxes by simply allowing property going into foreclosure and then they repurchase the property, correct?
A. My conversation with this one person said that he thought some of that was going on.
Q. And that person was from Ernst & Young?

A. Uh-huh.
Q. And who was that person?
A. Dan Jerneycic.
Q. Do you agree that Detroit property tax revenue per capita is modest compared to other cities in Detroit?
MR. STEWART: Objection.
THE WITNESS: Do I agree that Detroit -- say the question again.
BY MR. SMITH:
Q. Detroit property tax revenue per capita is low compared to other cities in Detroit?
A. I don't have that analysis in front of me, so I don't know.
(Document marked No. 6)
Q. Okay. Why don't I hand you what's been marked as Exhibit 6, and you can let me know if this is the CRC report that you've seen before.
A. Yes.
Q. And if you turn over to Page -- it's on Page vi, Page 6 of the executive summary. There's a section on property taxes there. Do you see that there?
A. Uh-huh.
Q. And you see that it has a chart listing different cities with property tax per capita. Do you see that?



A. Yeah.
Q. And there are a number of cities that have higher property tax per capita than Detroit does, correct?
A. In this chart, yes.
Q. And if you look at the paragraph just before the heading income taxes, do you see that?
A. Okay.
Q. First in the second sentence, it says although the 15.8 percent decline in Detroit's taxable value between 2008 and 2012 was a smaller percentage than the reduction in taxable value in 18 of the 24 largest cities in Michigan, collection rates declined from 92.64 percent in 2008 to 83.68 percent in 2012. Do you see that?
A. I do.
Q. So first Detroit historically has suffered smaller reductions in taxable value than other cities in Michigan, correct?
A. That's what this says.
Q. And when you say this, that's the CRC report that you've reviewed, correct?
A. Yes.
Q. And Michigan, because its collection rates are -- I mean, Detroit, because its collection rates are low, actually has low per-capita property tax collections compared to other cities in Michigan, correct?



A. There are a number of factors that lead to tax collections, so I don't know what the collection rates are in these other cities.
Q. Okay. Do you agree that Detroit has low per-capita tax revenues from property taxes compared to other cities in Michigan?
A. In this chart, Detroit is towards the bottom in terms of city property tax revenue per capita. These aren't all the cities in Michigan, though.
Q. But the main cities in Michigan are listed in that chart, correct?
A. The main cities meaning --
Q. Highest population cities.
A. Highest population cities? My scanning of it is yes.
Q. Do you know whether the appraisal staff in Detroit is unionized?
A. I don't know.
Q. Do you know whether it's uncommon for appraiser staff to be unionized?



A. I don't know.
Q. Are you aware that there have been proposals for improvement in property tax collections by various consultants in the past in Detroit?
A. I don't know about any specific proposal.
Q. Have you been provided with any of the reviews by consultants who have proposed improvements to property tax collections in Detroit?
A. I don't know who has proposed certain -- who has put together proposals, so I don't know.
Q. And so you haven't been provided those proposals?
A. I have not been provided those proposals other than I received a memorandum from Plante Moran. No. I'm just -- I have not received any proposals. I have read memos about property taxes.
Q. Everybody recognizes that property tax collections need to be improved by improving the assessor's office in Detroit, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know if everybody thinks that. I don't know.

BY MR. SMITH:
Q. The City of Detroit certainly thinks that it needs to improve property tax collections, correct?
A. My conversations with the people at the City in the assessor's office has been that they would like to see collections improved.
Q. And they're taking active efforts to try to do that, correct?
A. I don't know what efforts they're doing.
Q. In your report, you relied on the Case-Shiller Home Price Index for Detroit. Do you recall that?
A. It is one of the things that I looked at.
Q. And you agree the Case-Shiller Index is a standard measure of housing prices, correct?
A. It is a measure of housing prices, yes. It's widely used.
Q. And it's a reliable -- Case-Shiller is a reliable measure of housing prices, correct?
A. What do you mean by reliable?
Q. I mean, people -- a lot of people in government, business, academia rely on the Case-Shiller Index for housing prices, correct?
A. Many people rely and look at it, yes.



Q. And you've done analyses where you've utilized the Case-Shiller Housing Price Index in the past for property valuations, haven't you?
A. I have looked at the Case-Shiller Index for projects in the past.
Q. And did you use the Case-Shiller Index in your work in Flint, Michigan?
A. I don't recall. I don't think so. I don't know if Flint is one of the -- I don't think it's one of the areas that the Case-Shiller Index would cover.
Q. I mean, why do people look at the Case-Shiller Housing Price Index?
A. It's viewed as a reputable source of trends in house prices.
Q. And did the creators of the Case-Shiller Housing Price Index, have they received the Nobel Prize?
A. Yes.
Q. They're widely respected economists, right?
A. They are widely respected economists, yes, I would agree.
Q. The -- in generating your forecasted values for revenues, did you actually use numbers



from the Case-Shiller Property Index?
A. So the Case-Shiller Index was one source that I consulted in selecting my inputs.
Q. But didn't you use some different numbers for average housing selling prices in generating your forecast other than Case-Shiller?
A. I did.
Q. And what were those?
A. I used the Detroit Association of Realtors data.
Q. And did you use that updated to the present time or not?
A. I took the information through December 2013, which was the last full year, and I pulled -- I think I had through March, March or May. And so I looked at it, but in order to use it in comparison of other data, my analysis went through December 2013.
Q. Okay. And you know that the Detroit realtor information shows that housing prices continue to increase from the point you used, December 2013, to the most recent data in 2014?
A. Housing prices did go up, yes.
Q. In fact, housing prices have gone up fairly significantly in 2014 under the Detroit



realtor data you used?
A. What is significant in your opinion?
Q. Well, do you know how much they've gone up?
A. I can't remember off the top of my head.
Q. It would be more than 10 percent, wouldn't it?
A. I don't recall.
Q. In the -- do you agree that based on all the data you've seen, real estate values in the city are increased in 2014?
A. The data I've looked at have shown real estate values increasing in residential.
(Document marked No. 7)
Q. And you're aware that there are -- let me just hand you a copy of what I'm going to mark as Exhibit 7. It's an article entitled Detroit Named a Top Turnaround Town For Residential Real Estate.
Do you have that in front of you?
A. Okay.
Q. And you've seen news stories and assessments that have indicated that Detroit is one of the markets in the country that's experienced the largest increases in home prices during 2014, correct?
A. I haven't compared Detroit to other

cities.
Q. Well, this assessment reports that, in the first sentence, Detroit's housing market ranks seventh overall in a realtor.com turnaround town study of the national housing market in the second quarter the real estate tracking firm said in a report Wednesday. Do you see that?
A. I do see that.
Q. And you don't dispute that, correct?
A. I have no idea how realtor.com did their analysis.
Q. Okay. Well, that's not my question. I mean, you don't dispute -- you haven't done the work necessary to dispute the fact that Detroit is one of the fastest growing markets in terms of housing prices in the country, correct?
MR. STEWART: Objection.
THE WITNESS: So I've looked at the most recent data for Detroit. I've not compared it to other cities.
BY MR. SMITH:
Q. So you can't identify any city with more rapidly growing housing prices in 2014 than Detroit sitting here today, correct?
A. Well, this says it's the seventh.



Q. Okay.
A. I haven't looked at it, though.
Q. I mean, you wouldn't find that surprising that it's the seventh most highest in terms of housing price growth, Detroit is?
A. From a very low base, it's had growth, so that seems plausible, sure.
Q. And in fact, you mentioned the Detroit Land Bank. Have you done any investigation into its operations?
A. I don't know its operations.
Q. Were you aware that the City had transferred 16,000 properties to the Detroit Land Bank recently?
A. No.
Q. Do you know that the Detroit Land Bank has recently had an auction of blighted properties?
A. Recently when?
Q. During the last year. I mean in this year.
A. They have had auctions, yes.
Q. And in fact, there's been high demand in the Detroit Land Bank auctions for blighted properties, correct?
A. I don't know.



Q. You haven't done any analysis to determine the effect of the Detroit Land Bank on housing prices in Detroit, correct?
A. No.
Q. And you haven't done any analysis to determine the effect of the City's blight reduction efforts on housing prices, correct?
A. We -- in our forecast in a reinvestment scenario, we take into account removal of blight property as part of general economic improvement to the city, and so we've -- in that scenario, we've factored in removal of blight as a positive for our forecast.
Q. Do you actually know whether the forecasts that have been done for the City attach a dollar value to blight removal in terms of improved revenue for the City?
A. What's the question?
Q. Do you actually know whether the forecasts that have been done attach a dollar amount for blight removal?
A. There has been money put in for each year for blight removal in what I've seen.
Q. But do you know in terms of increased revenue?



A. There has not been a sort of one relationship done to say this much spending on blight translates into X dollars of revenue.
Q. And you've done no analysis that's tried to determine how much the blight removal will increase revenues to the City in your analysis, correct?
A. I have not. Right. So in my analysis, I did not look at the direct relationship between blight removal and property tax revenue.
(Document marked No. 8)
Q. Let me hand you what's been marked as Exhibit 8. It's a regional commerce paper from Detroit Regional Commerce. If you go to the first page entitled Detroit Facts, this document says that approximately 12 billion in private investments have been made in Detroit since 2006.
Do you have any basis to dispute that?
A. I have no idea where that number is coming from.
Q. Have you done any investigation into how much private investment has been made in Detroit in the past few years?
A. I've only read some articles on it.
Q. Okay. You know there's been significant private investment in Detroit in the last few

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years, correct?
A. I don't know if it's significant.
Q. Can you tell me how much in dollar terms investment has been made by private companies in Detroit in the last few years?
A. I don't know.
Q. Can you tell me how many jobs Detroit has added in the last few years?
A. Well, when we've looked at government data, Detroit's employment has fallen.
Q. Okay. What government data have you looked at during what period?
A. So when we -- so for example, we pulled BLS data and used that information in doing -- I would say this is something that Bob and Katie looked at, and I know -- and just having conversations and reviewing that employment has fallen since they've looked at it, which has been in the last what? I'm going off memory. I know they pulled data going back to 2006, maybe even before then.
Q. In the last year, do you know if employment has increased or decreased in the city?
A. In the last year, I don't think that data is out, so I don't know.

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Q. In the last period -- in the last year for which there's data, do you know whether city employment has increased or decreased?
A. I don't have it in front of me, so I don't want to say. I can't remember.
Q. Are you aware or have you been provided any of the reviews that have been done or audits on the City's financial data?
A. I have not been provided those studies.
Q. Are you aware that auditors have made findings saying that the financial data in the City of Detroit is not reliable?
A. I have not been told any of that.
Q. Do you know who the City's auditors are?
A. No.
(Document marked No. 9)
Q. I'm going to hand you what's been marked as Exhibit 9. It's an article entitled Will Detroit Land Bank Auction Build Value For Housing in Crain's Detroit. If you look at this article, it talks about an auction of 33 homes. Do you see that?
A. Uh-huh. Yeah.
Q. And the bids that have been drawn in are nearly $1 million. Do you see that?
A. I do.

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Q. With an average price of $22,000 per property. Do you see that?
A. I do.
Q. Before you did your analysis, were you aware that the Detroit Land Bank had been able to auction off 33 properties for a million dollars?
A. I was not aware of this information, no.
Q. Okay.
A. It's from what? June?
Q. Okay. So you haven't done any investigation into the prices that the Detroit Land Bank has been able to obtain for houses that it sold through its auction process, correct?
A. I have not been told the prices they've attained.
Q. And you've not also been told the amount of revenue that Detroit Land Bank has generated by selling blighted properties through auction, correct?
A. The only information I was given on that was a conversation with Dan Jerneycic where he mentioned that properties had been sold, and there would be some money coming back to Detroit because they had paid a charge-back on the property taxes, and that's all I was told.

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Q. Okay. I mean, did you do any calculation to forecast the amount of money that Detroit would receive from sale of properties through the Land Bank?
A. No. So with the information he gave me, it was very minimal.
Q. Okay. So that's -- your forecast does not attempt to forecast revenue that the City may obtain from selling properties through the Detroit Land Bank, including property tax revenues, correct?
MR. STEWART: Objection.
THE WITNESS: So the forecast does not specifically look at the activities of the Land Bank.
BY MR. SMITH:
Q. Okay. So it doesn't include amounts that the City will receive from back property taxes through sales through the Land Bank, correct?
A. The only thing is the relationship between the net revolving fund in Detroit. And so if the properties are auctioned off as they're supposed to be, then the City would receive that information in a timely manner as part of their net revolving fund payment, so they wouldn't pay the additional

chargeback. And so that would be taken into account in our forecast.
Q. Okay. You haven't -- do you know whether the City of Detroit actually receives any funds from the sale of properties through the Land Bank?
A. So my understanding is that if the process is followed and the county does sell the property, the taxes are paid. The City of Detroit then is not charged back, and so it would be included as part of that net revolving fund payment.
Q. But the sale -- the sale price for the properties, do you know whether Detroit actually gets any of the sales price for the properties sold through the Land Bank?
A. I don't know. I don't know what they receive.
Q. Okay. So certainly you haven't forecasted any sums the City might receive from sales through the Land Bank for -- in terms of the sales price, correct?
A. I don't know what -- after all the taxes are paid, etcetera, I don't know what money is left over and how that's allocated. I don't know that.
Q. Would it be fair to say you're offering -- you haven't been asked to offer any opinion about



the Detroit Land Bank?
A. I have not been asked about the Land Bank.
Q. You can't testify about the Land Bank's operations?
A. I cannot testify about the operations at the Land Bank.
Q. You can't testify about the Land Bank's effect on the economy in Detroit?
A. I don't know how the Land Bank is affecting the economy in Detroit.
Q. You can't testify about the Land Bank's effect on property tax revenues, correct?
A. Outside of the normal working process with the revolving fund, I don't know anything besides how the process is supposed to work.
Q. But you can't testify about the Detroit Land Bank's effect on property taxes through improved real estate values or other mechanisms, correct?
A. I don't see how it would affect it, but you're right. I wouldn't testify about that.
Q. The Bureau of Labor Statistics is a reliable source of information on employment data. You would agree with that, correct?
A. I would agree with that.



Q. And have you relied on that as a source of information about employment data in your analysis?
A. It's one of the things that I looked at, yes.
Q. Do you know what source of information you looked at for information on population levels?
A. Yes.
Q. What source of information?
A. So the 10-year forecast uses the SEMCOG, Southeast Michigan Council of Government, forecast.
Q. And is that a Detroit-specific forecast or is that statewide information?
A. So SEMCOG did a regional, I believe, seven-county forecast, and then within the counties, they did specific municipalities, and Detroit was one of them.
(Document marked No. 10)
Q. I'm going to hand you what's been marked as Exhibit 10. Let me know is this the type of Bureau of Labor Statistics data on employment levels that you have looked at in formulating your opinions?
A. This looks right.
Q. And the Bureau of Labor Statistics is a reliable source of information on employment data, correct?



A. I do think it's reliable, yes.
Q. And the employment levels in the city of Detroit currently are higher than they were in 2010, correct?
A. So you're looking at which numbers?
Q. The current level -- employment levels compared to 2010 in the graph.
A. They are higher.
Q. And the employment levels in the city currently are higher than in -- during many periods during 2011, correct?
A. I'm sorry. You said during 2011 --
Q. The employment levels in the city currently are higher than during most periods in 2011, correct?
A. So current employment is higher than in most periods in 2011 is your question?
Q. Yeah.
A. I guess it depends on the period.
Q. Okay. During most of the months in 2011, employment was lower than it is currently in Detroit, correct?
A. It looks that way, yes.
Q. And the same is true for 2012, correct?
A. It looks like yeah.

Q. And there's been a recent uptick in 2014 in employment, correct?
A. The seasonally unadjusted data is higher than some of the 2010, 2011 periods.
Q. And in fact, there's an inflexion point in the data now that the employment is going up, correct?
A. Where is the inflexion point?
Q. Around April of 2014, April and March.
A. There was a downward trend between, it looks like, December 2013 down to April 2014, and then May 2014 it's slightly higher.
Q. Do you know what period of time the employment data that you looked at for your analysis?
A. So we -- so primarily Bob Cline with the assistance of Katie Ballard used the employment information in their forecast, and so they did -- they pulled the historical data, did the trend analysis, so they would be the ones to better speak to it.
Q. I mean, did you use the trend analysis by Mr. Cline and Ms. Ballard in your forecast?
A. So they did the trend analysis, and then I looked to see what their employment forecasts were



based on that analysis so that my analysis was consistent with theirs.
Q. And did they forecast decrease in employment?
A. They did.
Q. Do you have any idea how they arrived at their forecast of decreasing employment after looking at the Bureau of Labor Statistics data?
MR. STEWART: Objection.
THE WITNESS: So generally I know what they did. They performed an analysis looking at the historical trend and the relationship between Detroit and the rest of the state, and so they used that information to forecast employment trends with relationship to the state forecast.
BY MR. SMITH:
Q. Okay. Can you explain to me how the employment forecast was actually calculated that you relied on?
A. Other than generally saying, I was not the one that did it, so no.
Q. And who was the person who you understood did that forecast?
A. Bob Cline with the assistance of Katie Ballard.



Q. You know there are private entities that have pledged money to assist the City and improve its economy and reduce blight, correct?
A. I know that private entity have pledged money. I don't know off the top of my head for what purposes.
Q. You've done no analysis of the impact of private donations on property tax revenues in the city, correct?
A. The only way it would factor into the analysis is private donation improving the economy and stabilizing some of the negative aspects of Detroit, and then that shows up in our reinvestment scenario.
Q. So private donation improving the economy can improve property tax revenues, correct?
A. It's possible.
Q. And -- but as far as you're aware, nobody has tried to forecast the amount of private donations over the next 10 years for the City, correct?
A. I don't know if that's been done.
Q. Okay. As far as you're aware, there's no analysis that's been done to try to show the impact of private donations on City revenues, correct?



A. I don't know if it's been done.
Q. You certainly didn't do any analysis to assess the impact of private donations on the housing market or private tax revenues, correct?
A. As I said before, only in that if as part of reinvestment in the city, private donations occur and it helps to improve the economic environment, then that's been factored into the reinvestment scenario.
Q. But you don't know if the reinvestment scenarios tried to forecast the amount of private donations that will come into the city, correct?
A. I don't know how private donations are included in that.
Q. And you don't know how the reinvestment forecast was put together, correct?
A. I was shown the reinvestment forecast. I don't know how it was put together.
Q. And you didn't do anything to test the reliability of the reinvestment forecast, correct?
A. So as before, you can only test, I think, reliability with actuals, and it hasn't occurred, so I don't know.
Q. Do you know who actually put together the reinvestment forecast?

A. I don't know specifically who did.
Q. You used the reinvestment forecast to generate some of your forecast; is that fair?
A. I would not say generate. I would say that I looked to see what was put together for reinvestment for further reinvestment initiatives, and that helped think about how we selected our growth rates in that reinvestment scenario.
Q. Were numbers from the reinvestment forecast plugged into your forecast?
A. Were numbers for the reinvestment forecast plugged into our forecast? No.
Q. Did you use the reinvestment forecast to generate some of the assumptions for your forecast?
A. It was something that was looked at along with other things in terms -- in how we put together the reinvestment scenario.
(Document marked No. 11)
Q. I'm going to hand you a copy of what's been marked as Exhibit 11, which is from the Case-Shiller Detroit Home Price Index, and let me know if this is the type of data that you have reviewed regarding housing prices.
A. Yeah.
Q. And the Case-Shiller Index shows the



housing prices have been increasing in Detroit over the last two years, correct?
A. The Michigan Detroit Home Price Index is going up, yes.
Q. And there was an inflexion point around 2010; is that correct? It's a little bit light on there.
A. Yeah, midway through 2010, 2011. Yeah.
Q. And increasing housing prices in your model lead to increased property tax revenues, correct?
A. So increasing home prices is one factor in our model, and it could lead to our overall increase in tax revenue. It really depends on what happens to taxable value.
Q. Holding all other factors constant, do increased home prices have an effect in increasing property tax revenues in your model?
A. Holding everything constant, an increase in a home price would -- well, it depends on the taxable value, I guess. It depends on what the taxable value is when the property sells and it's reset. And so if the home price is higher than -- and the reset of the taxable value is higher than what it had been, it would increase tax revenues. If sort of varies house to house.



Q. But overall, your model, the way it's constructed, could show a decrease in property tax revenue even if the Case-Shiller Home Price Index shows housing prices are going up, correct?
A. So the Case-Shiller Detroit Home Price Index is for the Detroit metro region, and so the metro region could see home price indexes go up. And we show that other factors mean that taxable value declines, and so tax revenues go down.
Q. And there's not -- in your model, you're assuming there's not necessarily a link between actual home values or prices as measured in the Case-Shiller Index and taxable value, correct?
A. So the relationship is whether the selling of the home price when it's reset -- when the taxable value is reset after the sale, whether it was higher or lower than what the taxable value had been the year before. That's what matters.
Q. In your forecast, you're predicting a large decrease in property tax revenue and assessed values even though the Case-Shiller Index shows that property -- home prices have been increasing for the last two years, correct?
A. So in our model, we have taxable value continuing to decline even with some improvements



in home prices.
Q. And in fact, you're predicting the tax revenues are going to be cut in half, aren't you, over the course of the 10-year period?
A. Tax revenue --
Q. Or taxable values are going to be cut in half in the city of Detroit over the 10-year period?
A. So residential property is going to be cut in half over the 10-year period.
Q. So you're predicting that property values are going to be cut in half even though the Case-Shiller Home Price Index is showing an increase in property home prices for the last two years in Detroit, correct?
A. Right. So you can have an increase in home prices, but your taxable value could still be higher than what it is when the home sells. So you could see even with an increase with home prices, you could see your taxable value fall.
Q. And the taxable value is something -- is that set by the City?
A. So taxable value is put together by the City, and then it goes to -- there are several review processes before it's finalized.

(Document marked No. 12)
Q. I'm going to hand you what's been marked as Exhibit 12. It's another printout from Case-Shiller. At first at the top, it describes what the Home Price Index, the Case-Shiller Index tries to do, which it seeks to measure changes in the total value of all existing single-family housing stock.
Is that your understanding of what it does?
A. Uh-huh.
Q. And if you look at the index levels below, it indicates the one-year change in the index is an increase of 15.37 percent for Detroit, correct?
A. Yes.
Q. And the three-year change for Detroit is a 12.86 percent increase, correct?
A. Uh-huh.
Q. And they also provide figures for a 20-year -- a 20-city composite home index as a benchmark. Do you see that?
A. Yes, I do.
Q. And you're familiar with that benchmark?
A. I am.
Q. And the benchmark of 20 cities shows growth in home prices that is lower than Detroit's



for the one and three-year periods, correct?
A. Uh-huh. Yeah.
Q. Detroit's home prices using the Case-Shiller Index have increased more than other cities in the benchmark index over the one and three-year and five-year periods, correct?
A. Correct.
Q. And what are some of the reasons that Detroit's home prices would have been increasing at greater rates than other cities over the last one, three or five years?
A. I haven't looked at the other cities, but when I looked at Detroit specifically, the percentage increases have been so large, in part, because the base is so low.
Q. Right. I mean, Detroit is starting out from a low period, so it's not surprising that you would see a large increase in home prices, correct?
A. That is correct. A $5,000 increase is large in Detroit.
Q. And you would anticipate that the Case-Shiller Index would continue to increase for the Detroit market over the 10-year period that you forecast?
A. I don't know what it's going to do for the



Detroit metro area. I don't know.
Q. You haven't looked at that?
A. So we were charged with looking specifically at the city of Detroit, not the entire Detroit metro region.
Q. Is it possible to forecast what the Case-Shiller Home Price Index would look like for Detroit over the next 10 years?
A. I don't understand the question.
Q. Is it possible to forecast what the Case-Shiller Home Price Index will be for Detroit over the next 10 years?
A. So Case-Shiller is using actual data. I don't know if they do forecasts.
Q. I'm asking could you forecast the Case-Shiller Home Price Index over the next 10 years?
A. I have not done that, no.
Q. I know, but is it possible for you to do that? Is that something that's technically possible for you to do?
A. So you can forecast what is going to happen to average home prices. That's an exercise that I've done, that I've engaged with.
Q. Okay. And if we were to forecast home



prices over the next 10 years in Detroit, those home prices would increase under a reasonable forecast, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know what reasonable is. When I've done this, I've had -- I've looked at what would likely happen to average home prices, and they have been going up in my forecast.
BY MR. SMITH:
Q. Okay. And those are forecasts over the next how many years?
A. So looking out 10 years.
Q. Okay. So you're forecasting home prices to increase over the next 10 years, correct?
A. I am.
Q. And that would include in Detroit?
A. That's just for Detroit. I didn't look at the entire area.
Q. Okay. And why were you doing that forecast? Is that part of your expert analysis?
A. So as I mentioned in my report, one of the things that I looked at is the uncapping of taxable value when homes prices sell, and so part of the exercise was thinking about what happens to home prices.

MR. SMITH: Okay. Why don't we take a break now. I know there's been a request from the retiree's counsel who had to leave. He's got another call, so we'll take a break for lunch.
MR. STEWART: 30 minutes?
MR. SMITH: Why don't we take a little bit longer for lunch.
MR. STEWART: 32 minutes?
MR. SMITH: No, 45 minutes.
MR. STEWART: 35, 40. That's fine.
THE VIDEOGRAPHER: Off the record. The time is 12:02 p.m.
(Whereupon, a lunch break was taken.)
THE VIDEOGRAPHER: We are back on the record. The time is 12:44 p.m.
BY MR. SMITH:
Q. Ms. Sallee, you're aware the City is planning to spend hundreds of millions of dollars in blight reduction?
A. I'm aware the City is going to spend money on blight reduction.
Q. I mean, do you know it's in the amount of hundreds of millions or not?
A. I don't know the exact amount.



Q. You don't know any of the details of how the City is going to spend the blight reduction money?
A. I don't know any of the details.
Q. Do you agree that many large cities suffer from blight?
A. I haven't looked at any other cities on blight.
Q. What about Flint, Michigan, is there blight in Flint, Michigan?
A. Yes, there is.
Q. And is Flint, Michigan planning any blight reduction efforts?
A. Yes.
Q. And do you know how much they're planning to spend on blight reduction?
A. I don't know off the top of my head.
Q. Do you know why Flint, Michigan's planning to spend money on blight reduction?
A. I had some conversations with city officials, and they wanted to remove properties, and they basically said they thought it would help the city.
Q. How did Flint, Michigan officials think that blight reduction would help the city?



A. They were targeting certain neighborhoods with blight removal. My recollection is that it was around schools or commerce areas, and they thought that it would sort of improve safety and existing property values is my recollection of conversations about it.
(Document marked No. 13)
Q. I'm going to hand you a copy of what's been marked as Exhibit 13, which is some City of Detroit Assessing Division Operational Recommendations by Plante Moran. Have you seen that document before?
A. I have not.
Q. If you turn over to Page 6, there's a chart that has a history of the Detroit assessment roll. Do you see that?
A. Okay.
Q. It indicates that the assessed value of property in Detroit went from 14 billion in 2008 to 9 billion in 2013, correct?
A. That's what is says here.
Q. So there was a $5 billion reduction in the last five years in assessed value, correct?
A. That's what it says here.
Q. It's about a third of property values gone away, correct?



A. It looks like a reduction of 5 billion in the assessed value, which is about a third.
Q. And you're forecasting additional reductions in the assessed value, correct?
A. So I am forecasting additional reductions in taxable value.
Q. Okay. And what will be the total taxable value at the end of 10 years under your forecast?
A. I would have to look at my report for the exact number.
(Document marked No. 14)
Q. I'll mark your report as Exhibit 14 so you have it in front of you.
Do you know now looking at your report what taxable value you're forecasting in the next 10 years?
A. I was realizing that the actual forecasts aren't in here, so I would need to see the disclosure statement.
Q. Okay. The -- did you do anything to look at historical taxable values in doing your forecast?
A. I did look at historical values.
Q. And you know there's been a significant decrease in historical assessed value already in the city of Detroit, correct?

A. How would you define significant?
Q. Well, along the lines of that $5 billion that we just looked at, correct?
A. There has been a reduction in assessed and taxable value in Detroit.
Q. Okay. And is that $5 billion figure from 2008 to 2013 reduction in assessed value roughly consistent with your understanding of the reduction in assessed value?
A. Yes.
Q. The -- and your forecasting reduction assessed value, that goes beyond what's occurred in the last five years, correct?
A. So I'm not forecasting assessed values. I'm forecasting taxable value.
Q. What's the difference in your view?
A. So taxable value is the lower of capped value or state equalized value. And given that the county's equalization factor is 1, assessed value and state equalized value are the same thing.
Q. Okay. So the taxable value is the same as the assessed value in Detroit?
A. No.
Q. No? Okay. Can you explain why that is?
A. I'm saying assessed value and state



equalized value are the same thing. Taxable value is the lower of capped value or state equalized value.
Q. Okay. And what is the capped value?
A. So capped value is that in the first year, let's say, you purchase a house, and in the first year, your state equalized value is roughly 50 percent of your market value and your taxable value equals your state equalized value in that first year. And then going forward, your capped value is the rate of inflation or 5 percent, whichever is less.
Q. And how do you figure out which to use in your forecast, capped value or state equalized value?
A. So I don't use either of those. I use taxable value.
Q. Which is what?
A. The lower of the two.
Q. Okay. So how do you figure out what that is in your forecast?
A. Sure. So in this case, I looked at capped value and state equalized value and its relationship to taxable value, and I did some analysis to see if state equalized value was



potentially higher or lower than capped value. And if assessments are lowered, what would then happen to state equalized value in relation to capped value and what impact would that have on taxable value. And so ultimately what I was concerned with was taxable value.
Q. And do you -- can you identify any city that's engaged in a greater blight reduction effort than is planned for the city of Detroit?
A. I have not looked at any other cities' plans.
Q. So you can't identify such a city?
A. I haven't looked into the issue.
Q. So you haven't examined the effects of blight reduction in other cities at all?
A. I have not looked at blight reduction in other cities.
Q. Do you agree that property taxes revenue is one of the largest sources of revenue for the City of Detroit?
A. So property tax revenue makes up about 17 percent of the tax and state revenue sharing.
Q. The -- you mentioned that you had read Ms. Kopacz's report, correct?
A. That's correct. I read maybe half of it.



Q. Do you have any understanding as to what qualifications or background Ms. Kopacz has in forecasting?
A. I don't know particularly her expertise in forecasting.
Q. We discussed that she did a sensitivity analysis for property tax revenues. Do you recall that?
A. Yes.
Q. You don't have any criticism of Ms. Kopacz's sensitivity analysis for property tax revenues, correct?
A. I didn't try to mimic what she did. When I looked at it, her analysis seemed in line with what I would expect, so it seemed okay.
Q. She also does a sensitivity analysis for state revenue sharing. Do you recall that?
A. Yes.
Q. Do you have any criticism of Ms. Kopacz's sensitivity analysis for state revenue sharing?
A. I can't remember exactly what she varied there, so I can't remember the specifics of her report.
Q. Okay. Do you have any opinions about Ms. Kopacz's report?

A. Yes.
Q. What are they?
A. My opinion was that the first half of it I read, I agreed with her conclusions.
Q. Okay. What page do you think you're about up to there?
A. Well, I got through my sections, so maybe I read -- actually, I maybe read only 75 pages of it. It's a 200-page document.
Q. And do you agree that Ms. Kopacz's analyses showed that by varying certain of the inputs by a small amount, you can change the outcome in terms of revenue in your analysis by tens of millions of dollars, correct?
A. I don't know how detailed she looked at changing inputs. She was showing sort of 1 percent changes and how much revenue that produces. That seemed to be the extent of the sensitivity analysis.
Q. There are other inputs you could change to produce other additions to revenue in your model that Ms. Kopacz did not look at, correct?
A. So I don't know exactly what she did, but you can change assumptions, and it would change the results.



Q. And there are assumptions that Ms. Kopacz did not report on in her report that you could change to increase the revenues in your model, correct?
A. There are assumptions that could be changed that could increase -- that could increase revenues.
Q. And you didn't do any sensitivity analyses for any of your forecasting, correct?
A. What do you mean by sensitivity analyses?
Q. The type of analysis Ms. Kopacz does in her report which she calls an sensitivity analysis.
A. So when I look at it, it looks like she asked the question what happens if you increase revenues by 1 percent, and what does that mean over a 10-year period. I did analysis along with Bob Cline, other members of our team to say what happens if we change inputs, they increase or lower revenues in a given year and what's the impact of that in a 10-year period. As I've mentioned, we've done, you know, different iterations, and so I feel like we have done that sensitivity analysis in the sense that we've changed inputs, saw what happened to the revenue.
Q. And your CV says you've used IMPLAN and



REMI to model economic impacts of capital expenditures and operations. Do you recall that?
A. I have done that, yes.
Q. And is IMPLAN a generally accepted measure for measuring economic impacts?
A. Yes.
Q. And you could use IMPLAN to measure the economic impacts in terms of increased economic activity and revenue from the reinvestments that the City is planning, correct?
A. Can you restate your question?
Q. You could use an IMPLAN analysis to determine the economic impact and increased revenue from the reinvestments that the City is planning in the plan, correct?
A. I wouldn't use IMPLAN for that.
Q. Is that something that IMPLAN can be used for, though?
A. So in this case, you could -- you could look at an investment, and you could say what is the result of that investment and then model the economic impact of that with IMPLAN, but you would have to take into account, you know, substitution. There would be a lot of factors that would go into it.



Q. Okay. So the reinvestment expenditures could be analyzed using IMPLAN to determine their economic impact, but you would have to take into account a number of factors; is that correct?
A. So IMPLAN would be sort of an awkward way to evaluate it. You can do economic modeling where you would look at a detailed, say, investment and then think through the impact on the economy. That's standard economic analysis.
Q. Okay. And as far as you're aware, has anybody done any standard economic analysis to measure the positive economic impact of the reinvestment proposals?
A. I'm not aware of any.
Q. Do you know why that hasn't been done?
A. Well, I don't know if it has been done. It could have been done by someone else. We weren't charged with looking at the reinvestment activities.
Q. Okay. But you would agree there's a variety of standard methodologies that could be used to measure the economic impact of the reinvestment activities, and IMPLAN would just be one of them; is that correct?
A. So there's -- there's a methodology, a way

that you would go about looking at this, and there are different software tools that can aid you, and there are generally only a few accepted ways to do it.

Q. And what are those few accepted ones?

A. So when you're doing economic impact analysis, typically you're going to use one of three things. You're going to use an IMPLAN model. You're going to use a government model, RIMS II, or you're going to use REMI.

Q. And have you used such standard economic models in assessing the economic impact of government projects before?

A. Yes.

Q. What kinds of government projects have you done that for?

A. So prior to joining EY, I looked at the economic impact of building a new research facility or sort of a specific government planned -- it would be a collaboration, I guess, between entities, so looking at project base, say, a new facility or something and using one of those to evaluate the economic impacts.

Q. And is that -- do governments often try to model the economic impact or see how much economic



improvement there will be from government projects?

A. I've done these projects for governments or for groups going before government, so there seems to be interest in it.

Q. And is modeling the economic improvement of a government expenditure something that you believe is like a useful project for planning purposes for governments?

A. In certain situations, yeah, I do think it's useful.

Q. And do these economic modeling that you've done, does that include looking at increases in tax revenues, or is it just increases in economic activity that would be caused by a project?

A. So typically I would look at the measures of economic impact and then tax revenue.

Q. And is the reason that you didn't use IMPLAN or some other accepted economic modeling in this case to look at the effect on tax revenues just because you weren't asked to do that?

A. So in this case, we were asked to forecast tax revenue, which is a little different exercise than for some of these projects where you're doing, say, the economic and tax contribution of specific facilities. So we looked at blight and thought



there are no other expenditures and thought about how it would improve the economy and then factored that into our reinvestment scenario.

It wouldn't necessarily make sense to use IMPLAN in that sense. I should clarify we use IMPLAN for economic analysis. The tax analysis we're usually doing we're usually not using IMPLAN for.

Q. Okay. But there are other methodologies that you've used that you didn't use in this case to model tax revenues?

A. So in the past, if you're looking at a project and you forecast the labor income that's associated with the project, we often use a ratio of taxes to personal income because we have measure now of personal income or labor income. And so we can apply that ratio to our estimated labor income, and that doesn't apply here to this situation.

Q. Okay. But measuring -- somebody could have used one of the standard economic modeling methodologies to determine the economic impact of the reinvestment scenarios or the tax revenues from the reinvestment scenarios, correct?

A. Yes, you could do something.

Q. Okay. I'm going to turn to your expert



report now. Do you have that in front of you?

A. I do.

Q. On Page 6 of your report, you relied on some data from the Detroit Board of Realtors residential sales statistics for 1995, at the top of the page, 1998, 2001 to 2013. Do you see that?

A. I do.

Q. Why is it that you only used certain years?

A. So there's a gap in between '95 and '98 and '98 and 2001, so that data was not publicly available on the website, and then -- so I took as much information as was available, and then I did it through 2013. I looked beyond that, but the analysis goes to 2013, so I could compare it to other sources of data.

Q. Okay. So your analysis, you used data stopping at the end of 2013 from the Detroit Board of Realtors, correct?

A. Correct.

Q. But you know -- you've seen what the data is for subsequent periods in 2014, correct?

A. Right.

Q. And that data from the Detroit Board of Realtors is the data showing that housing prices

continued to increase in the city of Detroit; is that correct?
A. There were increases, yes.
Q. The information you talk about about Renaissance Zones, it's kind of down toward the bottom of the page, and you mention you had the one year's data from 2013. Do you see that?
A. Yes.
Q. And we already talked about how that was provided to you by the assessor's office, right?
A. It was.
Q. And the reason you need the Renaissance Zone data is because there's different tax -- different taxes apply to Renaissance Zone than elsewhere in the city; is that correct?
A. So Renaissance Zones are exempt from certain taxes.
Q. And that includes the property tax?
A. Portions of the property tax. So if you're in a Renaissance Zone, you're still paying the debt millages, but you're not paying general operating. You're not paying library.
Q. Page 7 of your report, it says in Paragraph C use separate growth rates for real and personal property by property class. Do you see



that?
A. Uh-huh.
Q. Do you know what growth rates you used?
A. So it varied by type of property within real and personal.
Q. Did you pick the growth rates for real and personal property based on your judgment?
A. So ultimately I selected those growth rates based on my judgment.
Q. And do those growth rates also vary over year for each class of property?
A. They change year to year, yes.
Q. And you used your judgment to decide how the growth rates for each class of property should change year to year; is that correct?
A. I used my judgment to see how they would change year to year, yes.
Q. Page 8, subsection ii(b), you say that -- one of your assumptions was the tax law will remain unchanged during the forecast time periods. Do you see that?
A. Yes.
Q. And who gave you that assumption?
A. So in this case, it's referring to the selected tax rate, and we kept it constant



following standard forecasting procedures. So as I outlined earlier, I followed the Michigan State Revenue Conference forecasting procedures, which is also what U.S. federal agencies use. So you follow current law, and you don't assume a tax rate has changed.
Q. Current law does not exempt personal property in the manner that the proposed legislation does, correct?
A. So right now in current law, it is planning for -- the bills have been passed that would repeal personal property. It has to be confirmed by voters. And so in that case, the third part of forecasting is to think about what known changes there are, and in this case, we accounted for a known change.
Q. Okay. Well, you don't know what the outcome of the vote will be, correct?
A. I do not know.
Q. And so under current law, personal property is not exempted, correct? That's not the law in the state of Michigan right now, correct?
MR. ALBERTS: Objection.
THE WITNESS: So currently personal property is slated to be repealed assuming voters approve it in



August.
BY MR. SMITH:
Q. Does current law as it exists at the date of this deposition exempt personal property?
A. So the laws have been passed that exempt it. It just hasn't been -- it's subject to approval by voters, so I kind of feel like this is gray, and I don't quite know how to answer that question.
Q. Okay. Right now personal property is not exempted. You can't say oh, I'm not going to pay my personal property tax, right?
A. So personal property right now is -- has been taxed in Michigan.
Q. Okay. And that's the current law right now?
A. Current law, the vote has not happened. It's still taxed. Okay. I will say that.
Q. But in your forecast, you've modeled the possibility that that current law treatment of personal property tax may change over time, correct? You've used a 50 percent factor to model that possibility, correct?
A. Right. So we -- so I've included a 50 percent chance that the vote passes in my

analysis.
Q. And so you've included in your analysis a 50 percent chance that personal property exemptions may pass in which case personal property taxes would be decreased, correct?
A. So what I specifically modeled is a 50 percent chance that personal property taxes will be reduced for commercial industrial taxpayers, and so I factored in a 20 percent -- what -- we're forecasting a 20 percent reduction in personal property and a 50 percent chance of that happening, so we've modeled a 10 percent reduction.
Q. So you factored in a chance that there will be a change in current law leading to a reduction in personal property taxes, correct?
A. Yes.
Q. And the -- have you done any investigation into whether there's any debate about changing tax rates in the state of Michigan?
A. For what?
Q. Have you done any investigation into whether there are any proposals to change tax rates in the state of Michigan?
A. In the state overall or --
Q. That would impact City of Detroit.



A. I have not looked into any tax rate changes in the city.
Q. Have you looked into any tax changes other than the personal property tax change that could impact Detroit's revenues and whether there are proposals for those?
A. I don't think I understand the question.
Q. Have you looked into any -- into whether there are any proposals for tax rate changes that might impact Detroit's tax revenues?
A. I am not aware of any proposals that would change tax rates in Detroit.
Q. Have you investigated the matter, though?
A. No. I have not looked into it.
Q. So you're saying that the assumption that you used for keeping tax rates constant came from the Michigan Manual; is that correct?
A. So they've published a paper about their procedures for doing their consensus revenue forecasting, and so that was consulted as well as what do other agencies do, and those procedures were followed.
Q. Have you done forecasting for taxes before where you did not assume current tax law applied, that there might be changes?



A. So I have done forecasting when a specific policy change has been given and we've asked to say -- to look at the revenue impacts.
Q. What kind of policy change have you forecasted to determine the potential impacts on taxes?
A. So in my old job, I participated in a two-year project looking at tax policy changes at the State of Michigan level. Some of the tax changes would have reduced revenues for certain taxes, and some would have increased tax revenue for certain taxes.
Q. So when you were working with the State of Michigan, you forecasted the effects of potential changes in tax policy on tax revenues?
A. So I wasn't working for the State of Michigan. Maybe you said with, but I was working for another organization doing State of Michigan taxes, and -- I've forgotten your question.
Q. What was the other organization that you worked on Michigan taxes with?
A. I worked for a group called Business Leaders for Michigan.
Q. Okay. When you were doing forecasting to look at changes various policies that could be



adopted would have on Michigan tax revenues, you did an analysis on that, correct?
A. So I did an analysis of specific tax changes for the state that would affect the state.
Q. Okay. And did you calculate -- forecast what the changes in revenues would be if tax policy changed in the state of Michigan when you did this other project?
A. When I did this other project, yes.
Q. And were you coordinating with the state, or how would you describe your relationship with the state in conjunction with that project?
A. So I would have -- I would go to meetings with state representatives to talk about the tax change and to collect data.
Q. And what kind of tax changes were you discussing with Michigan officials?
A. Generally looking at changes to the business tax and changes to the sales tax.
Q. Okay. Were they looking at increasing or decreasing the business tax and the sales tax?
A. They were looking at decreasing the business taxes and potentially raising the sales tax.
Q. And raising the sales tax would increase

the amount of money that the state collected that could be used for revenue sharing, correct?
A. The specifics of the different policies and models, I can't remember how revenue sharing was treated in that.
Q. Do you know where the city -- where the state gets the money that it uses for revenue sharing?
A. I do.
Q. Okay. Where do they get that money?
A. So -- so the constitutional piece is funded through sales and use tax revenue, a part of it.
Q. So increasing the sales tax would increase revenue sharing under the constitution of Michigan to the cities, correct?
A. All things equal, if you -- so -- so right now how the constitutional piece is structured, you have the first 4 percent, and then you have an add-on 2 percent. So the revenue sharing is -- the constitutional piece is 15 percent of that 4 percent, and those things are written that keep that 4 percent constant, and you play with that additional 2 percent.
So proposals that I often look at was sort



of keeping the revenue sharing intact. If you're able to increase that revenue, if you expand the sales tax base or you have more transactions or things, then you can see that sales tax revenue could go up, but you could play with the rate, and it may not actually affect sales tax revenue.
Q. Is it possible that increasing the rate of the sales tax will increase state revenue sharing payments to the cities?
A. Typically if you were to change the rate, you wouldn't be affecting, per se, the revenue sharing if you're not changing that 4 percent.
Q. What about the percent above 4 percent?
A. Well, that part of it isn't part of the sales tax formula.
Q. But generally you know that the state uses the sales tax as a source for its revenue sharing payments to the cities, correct?
A. The constitutional piece comes from the sales tax.
Q. Do you know if any of the statutory piece comes from the sales tax?
A. So right now the Economic Vitality Incentive Program is being -- the funds for it are coming from the General Fund, and part of the sales



and use tax go into the General Fund.
Q. Okay. So the more money that the state collects in sales tax, the more money that is available to fund revenue sharing payments, correct?
A. So the more sales tax revenue the state collects, the more money it would have available in its General Fund, and it could choose to increase payments to municipalities, or it could not.
Q. And so increasing the sales tax rate could have the effect of -- it would have the effect of making more money available for revenue sharing payments. It's just whether the legislature decides to use it or not, correct?
A. More money would be available. Legislature could or could not decide to use it.
Q. When were you doing that analysis about potentially raising the sales tax rate?
A. So that analysis I did back seven, eight years ago. What year is it? 2014. So I did that work, I'm remembering, but probably around 2007.
Q. Okay. And did the state raise the sales tax?
A. They didn't.
Q. Do you know why they didn't?



A. So Michigan ended up making some changes. They eliminated the SBT. They put in a new business tax and decided not to make any changes to the sales tax.
Q. And is the state of Michigan, compared to other states, a relatively low-tax state?
A. It depends on what time frame you look at.
Q. Currently.
A. Currently Michigan's in the middle in terms of tax burden.
Q. Do you know if there's any other planning regarding sales taxes, sales tax changes?
A. I'm not aware of any planned sales tax changes.
Q. Have you investigated whether there are any planned sales tax changes?
A. Nothing has come up in my conversations with anyone, so I'm not aware.
Q. Have you ever heard of the Revised Judicature Act of 1961?
A. I don't think so.
Q. Are you aware that under current law, if the City has a judgment against it, that it can charge -- it can raise property tax rates above statutory rates to collect money to satisfy the

judgment?
A. I'm not aware of that law.
Q. Did anybody ever tell you or inform you that the City has in the past raised property tax rates above statutory maximums to pay judgments against it?
A. No one told me that. When I looked at a history of property tax millages for general operating, I noticed that the rates in the past were above 20 mills.
Q. Okay. And so you noticed that the rates were above statutory maximums in the past. Then did you make any inquiry about why that was?
A. No, because going forward, what was relevant was the current tax rate.
Q. Okay. But the City -- Syncora could get a judgment against the City, and the property tax rate could be raised above statutory maximums, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know the likelihood of that.
BY MR. SMITH:
Q. Well, other -- you know other creditors of the City in the past have been successful in


getting judgments and having the tax rate raised above statutory maximums to pay it, correct?
A. I don't know any details.
Q. Well, you know that the tax rates have been assessed above statutory maximums in the past, correct?
A. The only thing that I noticed was in the past, the general operating mill was above 20, and I was not sure when the 20-mills limit became relevant for Detroit.
Q. Nobody -- I guess since nobody has told you about this possibility of property tax rates being above statutory maximums, so that's correct, right?
A. Nobody has told me about that.
Q. Okay. So nobody has asked you to consider what taxes -- property taxes could be collected at rates above statutory maximums under the Revised Judicature Act, correct?
A. Correct. Nobody asked me to look into that.
Q. And you don't have any idea why they didn't ask you, correct?
A. I have no idea why people did not ask me to do something.


Q. Okay. You did do an adjustment for changes in collection rates over time, correct?
A. Correct.
Q. Do you know if there's an adjustment for changes in collection rates for the income tax under Mr. Cline's analysis?
A. I don't know.
Q. You haven't done anything to ensure that your methodology in terms of the treatment of collection rates is consistent with Mr. Cline's methodology, correct?
A. Can you say that again?
Q. You haven't done anything to investigate or ensure that the methodology you used with respect to collection rate on the property tax is consistent with Mr. Cline's approach on the income or other taxes, correct?
A. We took pains to make sure that the inputs we were using were consistent, and the way we were going about -- he had a different methodology because it's a different type of tax with a different tax base. He had a different methodology than I did, and I don't -- given how -- I don't know -- you know, there's a different collection process. I don't know how he factored in


collection exactly into his model.
Q. You don't know whether Mr. Cline factored any changes in collection rate in his model one way or the other, correct?
A. I don't know how his model incorporates collection. I would have to see it.
Q. You agree that it's important to factor in the collection rate in forecasting income tax, correct?
A. So there are -- collections of income is important, and he -- you know, collections for income taxes are different than property taxes, so it's not -- it's not unusual that he would deal with it differently than I would. He's -- for example, you have tax withheld from paychecks, so that's a very different model than someone paying their property taxes.
Q. But you agree that it's important to factor in in some way changes in collection rate over time in forecasting the income, corporate, wagering or utility user tax, correct?
A. I think you said, though, that it's important to factor in changes. I think it's important to think about the revenue that you're going to be receiving, you're actually receiving,

and for each of the different taxes, we did that.
In property, we thought about what's the collection rate. In income taxes, we thought about the tax base, different tax bases, taxes withheld versus taxes paid, so collection would show up in that analysis. For the other taxes, we thought about well, what is being actually paid by, say, the casinos or utility users. So collections is present, but I think they're different in each of the tax bases.
Q. But in the income tax analysis, you know there's no change or analysis of what the collection rate might be over the next 10 years, correct?
A. I don't know exactly what Mr. Cline did there.
Q. Okay. But you agree it's important to take into account the collection rate in any forecast of taxes and tax revenue that you do, correct?
A. I don't know if I would say it's important to think about a collection rate. I think it's important to think about what money the entity is going to receive, which is what we've tried to do in our forecast. We tried to think about actual



money in the door in a given fiscal year.
Q. And would you agree that collection rate is one of the key drivers of tax revenue?
A. In the property taxes forecasts that I did, collection rate is an important driver.
Q. Yeah. For any tax revenue analysis, collection rate is a key driver of tax revenue, correct?
A. Income taxes, like I said, I think each of them collections is different, and so the collection process is different, and so it's more important and less important in other areas.
Q. Have you ever done a tax forecast where you failed to incorporate a collection rate?
A. In the forecast that I prepared related to property taxes, I've included a collection rate.
Q. I'm asking about any tax forecast. Have you ever done a tax forecast where you didn't take into account potential changes in collection rates?
A. I mean, I think -- I've always incorporated collections, and we all think -- you know, both in this project and other work what do we actually think money is going to be in the door, so collections are always a process of what we're thinking about.



Q. Because the higher your collection rate, the higher your tax revenue, and the lower your collection rate, the lower the revenue, correct?
A. In some cases, yes. In other cases, you can have a higher collection rate and a lower tax levy, and you could have -- you would have a lower tax revenue.
Q. All other things being equal, the higher the collection rate, the more tax revenue you take in, correct?
A. Up to a certain point.
Q. And that's why it's important to consider the collection rate in a tax forecast, right?
MR. STEWART: You've asked this question, I think I've counted, 15 times now, so she's going to answer. This is going to be the last time because I am going to instruct her after this.
MR. SMITH: You have a pattern of obstructing every deposition you've been in. By the way, I'm going to ask her about deposition transcripts later, so I ask that you produce this order of the court because I'm informed there is no such order.
MR. STEWART: No. Ask Mr. Hackney.
MR. SMITH: No. I'm asking you. I'm going to ask about it. Where's the order?



MR. STEWART: It was a ruling that he made. Your partner, Mr. Hackney was there.
MR. SMITH: And there was no such ruling, so --
MR. STEWART: Yes, there was.
MR. SMITH: -- you're obstructing the deposition.
MR. STEWART: I was in court when it happened.
MR. SMITH: Okay. Then I'm asking that you produce it. Produce it before the deposition is over. We've got like three or four hours left.
MR. STEWART: No.
MR. SMITH: We're at your offices. I just want the order.
MR. STEWART: I told you it's not an order. It's a ruling that he made.
MR. SMITH: Or the transcript, whatever it is. I want you to show me where the court issued this ruling.
MR. STEWART: Why don't you ask Mr. Hackney because he was the one that got in the colloquy with the judge, and he is the one where the judge said it. I think it was during the swaps trial, but we've had thousands and thousands of pages of transcript. So I'm not going to interrupt the deposition to go find it. I think, though --

MR. SMITH: You can do it at a break.
MR. STEWART: -- since your firm was the one that got the adverse ruling, I would think they'd have no trouble, and find Mr. Hackney. He remembers it well because he professed to be surprised by the judge's ruling, and the judge told him actually it's standard, and it is standard. And that's just -- everybody knows it. Surprised he didn't because he's an excellent lawyer, but that was the ruling.
So now the question, though, is I think -- I don't think I'm going unfair when I say that after you've asked this witness the same question 15 times and she's answered it 15 times, you have to move on. You're just arguing with her. You're wasting everybody's time, and it's an abuse of the witness. So let's reread the question. Reread the question. She's going to answer it, and then we're going to move on.
(Whereupon, the record was read as requested.)
THE WITNESS: Collections are important to consider in doing any tax forecast.
BY MR. SMITH:
Q. And Ms. Sallee, is it your understanding



that you're not allowed to look at any of the testimony given in deposition by other witnesses in this case, including Mr. Evanko?
MR. STEWART: You just misstated it.
MR. SMITH: I'm asking the question.
MR. STEWART: Ask her. Then I'm going to correct you because you just misstated what I told you.
MR. SMITH: You're coaching the witness.
MR. STEWART: Answer the question.
THE WITNESS: You said testimony. I'm trying to -- I don't know -- I don't know legal things, so I don't know.
MR. STEWART: Just because I think you misunderstood it, Mr. Smith, but the judge's ruling was --
MR. SMITH: Listen, your speaking objections are really obstructive.
MR. STEWART: Well, there's no pending question.
MR. SMITH: Then don't give a speech on the record.
MR. STEWART: Because you just misstated things, and we have to have the record corrected because you can't go around misstating things.



What the ruling was is you cannot ask a witness to comment on the testimony of another witness. That's what the ruling was.
MR. SMITH: Okay. That's what you've been telling everybody in this case, right?
MR. STEWART: Well, that's what the judge ruled. I should add, by the way, I didn't instruct her not to answer your questions. I just told you I have a standing objection to them, and I cannot stop you if you want to ask her what Mr. Evanko said. I just told you it's improper, and the judge has said not to do it.
MR. SMITH: You obstructed the deposition already.
MR. STEWART: No. If you want to ask her, ask all day about it.
MR. SMITH: I'm told the tape is running out. Let's take a break.
THE VIDEOGRAPHER: Off the record. The time is 1:32 p.m.
(Whereupon, a short break was taken.)
THE VIDEOGRAPHER: We're back on the record. The time is 1:39 p.m.



BY MR. SMITH:
Q. Hi, Ms. Sallee. Do you have Mr. Evanko's testimony in front of you? Do you see the excerpts there?
MR. STEWART: And you have my standing objection, and I will not interrupt your examination if it's clear my objection to this is standing.
MR. SMITH: Okay.
BY MR. SMITH:
Q. You've got it in front of you?
A. Yes.
Q. Okay. I wanted to ask you about Page 152 in there if you would flip through. These are just excerpts from his deposition, and let me know when you get to Page 152.
A. Okay.
Q. Okay. And actually if you go down to Line 13, you see Mr. Evanko's talking about the transactions they have and whether they're arm's length. Do you see that?
A. Yeah.
Q. And you see that the data that he's received was so scant of arm's length transactions. There could not have been a study developed because

it was just absolutely insufficient data. Do you see that?
A. Okay. I see that.
Q. And Mr. Evanko's testimony is generally consistent with the other materials we've seen from the assessor's office indicating that most of the transactions are not arm's length, correct?
MR. STEWART: Objection.
THE WITNESS: Well, I haven't seen any of the data, so I don't know.
BY MR. SMITH:
Q. Well, I mean, we saw some other documents talking about how most of the transactions were not arm's length. Do you recall that?
A. I don't know if most of the transactions were not arm's length.
Q. So you don't know what percent of the transactions the City has that are arm's length transactions, correct?
A. I do not know a percent, no.
Q. If you go over to Page 223 of the document, it's like the last two pages. Let me know when you get to 223.
A. Okay.
Q. If you'll look at Line 18, Mr. Evanko is



asked but when I said you don't remember discussing this with Ernst & Young, I was correct, right? Right. You don't recall discussing .5 reduction of 10 percent in collection in fiscal year 2015 due to loss of revenue from the small business personal property tax exemption? Not only do I not -- I do not recall, but this is a ridiculous estimate. I knew in December of 2013 that the small business personal property tax exemption would affect the City's tax base by approximately .7 of 1 percent, not 10 percent.
Do you see that?
A. Uh-huh.
Q. So Mr. Evanko is characterizing your forecast of the reduction in personal property tax as a ridiculous estimate, correct?
MR. STEWART: Objection.
THE WITNESS: Well, he says this is a ridiculous estimate.
BY MR. SMITH:
Q. And you didn't have any conversation with Mr. Evanko to ask him about whether it was a reasonable estimate the reduction in personal property tax before you put it in your report, correct?



A. So I had to -- I had several conversations with Mr. Evanko. I've talked with him in January of 2014 and received some data from him. He answered some questions. I also had conversations with Alvin Horhn in his office. And I had a call with Alvin in February of 2014, and I ran the 10 percent reduction by him, and he -- he said that was reasonable.
Q. Did you ever run the 10 percent reduction in personal property tax by Mr. Evanko before you put that in your report?
A. I can't remember if it came up in the conversations with him in January or not. I know I did run it by, because of my notes, with Alvin Horhn.
Q. Do you have written notes of all of your conversations with people at the City?
A. No, I don't.
Q. Do you have written notes of any of your conversations with people at the City or others you rely on?
A. I do have some written notes.
Q. Do you know if those have been collected for production?
A. They have.



Q. Do you understand that under the proposed legislation that there's sums that will be reimbursed to cities to help offset reductions in personal property taxes?
A. Yes, there's a replacement mechanism.
Q. Do you have an understanding that under the legislation, not all property is subject to the reduction in personal property tax?
A. What's the question?
Q. Is there some property that would be exempted from the reduction in personal property tax under the legislation?
A. So in personal property, you have commercial, industrial and utility. Utility property is not exempt, would not be subject to the reduction, and there's a -- and there's different phase-outs of how commercial and industrial are affected.
Q. Before today, you were never informed that Mr. Evanko had characterized your forecast for the reduction in personal property tax in the manner that he did in his deposition, correct?
A. So I have had some conversations with my lawyers about --
MR. STEWART: You can't talk about what you

talked to your lawyers about.
THE WITNESS: Okay.
MR. STEWART: He can ask -- he can tip-toe around the subject, and he will do that, but that's -- there's a little dance we usually do.
BY MR. SMITH:
Q. Did you know before today that Mr. Evanko characterized your personal property tax forecast reduction as ridiculous?
MR. STEWART: You can answer that.
THE WITNESS: I did not know he said it was ridiculous.
BY MR. SMITH:
Q. Okay. Then Mr. Evanko is asked on Page 224, he's asked about this -- the reassessment that's going to be completed in 2020. Do you see that?
A. Uh-huh.
Q. The planned reappraisal study?
A. Yeah.
Q. And he's asked and you could not have given them an estimate of how much to reduce taxable value based on this study because you, yourself don't know which way it's going to come out, correct? And he answers I don't know where --



how it's going to come out next year. 2020 is a lifetime.
And then he's asked okay, and he testifies you know, I'll be collecting Social Security living in North Carolina. And then he's asked I know you're thinking about two years. I know where your head is at, but you agree with my statement. You did not provide them with -- you didn't tell them this is about what it's going to look like when the reappraisal study is done, correct? Absolutely correct.
Do you see that testimony?
A. Uh-huh.
Q. Before today, were you aware of that testimony by Mr. Evanko?
A. I was not aware of this testimony, no.
Q. Okay. It's true that Mr. Evanko did not provide you with the assumption you use in your forecast regarding a reduction in assessed value as a result of the planned reappraisal, correct?
A. Mr. Evanko did not provide the assumption that was used in our forecast.
Q. And in fact, Mr. Evanko's testimony is that he doesn't know what the outcome will be in terms of whether property will increase or decrease



in value as a result of the planned reappraisal study, correct?
MR. STEWART: Are you asking her that's what this says?
BY MR. SMITH:
Q. That's what his testimony is, correct?
MR. STEWART: Objection.
THE WITNESS: Can you say that one more time?
BY MR. SMITH:
Q. Mr. Evanko's testimony is that he doesn't know what the outcome of the reappraisal study will be in terms of whether property values will increase or decrease, correct?
A. It says here, yeah, he does not know how the reappraisal study will come out, correct.
Q. And in fact, nobody knows how the reappraisal study is going to come out in terms of effect on property values and assessments in the city, correct?
A. Nobody knows for certain.
Q. Would you agree that Mr. Evanko would certainly be one of the most knowledgeable people in terms of assessed values in the City of Detroit?
MR. STEWART: Objection.
THE WITNESS: Mr. Evanko is knowledgeable of



the assessed values in Detroit.
BY MR. SMITH:
Q. In fact, Mr. Evanko is responsible for the assessed values in Detroit as the assessor, correct?
A. He is.
Q. And in fact, Mr. Evanko would be one of the most knowledgeable people about assessed values in Detroit, correct?
MR. STEWART: Objection.
THE WITNESS: He is a knowledgeable person.
BY MR. SMITH:
Q. Mr. Evanko has been dealing with assessed values in Detroit for much longer than you have, correct?
A. My understanding is he joined the City in January.
Q. Do you know where he joined from?
A. I think I was told he was at Wayne County.
Q. And at Wayne County, he would be dealing with assessed values in the city of Detroit, correct?
A. I don't know what he did.
Q. I'd like to go back to your report now.
A. Okay.

Q. Page 9 you talk about how you had assumed there would be a reduction -- well, you talk about the planned reassessment at the top of Page 9, correct?
A. Yes.
Q. And you used your judgment in order to come up with the figure you used to reduce planned assessment as -- assessed values as a result of the planned assessment, correct?
A. No. I only looked at taxable value, so I took into account the City's activities and its impact on taxable value.
Q. Okay. So you used your judgment in developing the assumption about what taxable value would be under the reappraisal study that's planned, correct?
A. So after the reappraisals and the reassessments, I took those into account in thinking about what happens to taxable value.
Q. And did the value you used to reduce taxable value as a result of the reappraisal study, was that based on your judgment?
A. The parameter I used was based on my judgment after the reappraisal study.
Q. Okay. On Page 9 down under C, you say



that the reinvestment scenario estimates improvements to the tax base on collections of the general operations and economic environment of the city improved during the 10-year period. Do you see that?
A. Uh-huh.
Q. And the City anticipates that improved economic conditions will increase property values, correct?
A. You said the City?
Q. Yeah, the City.
A. Okay.
Q. Well, do you anticipate that -- do you anticipate that improved economic conditions will increase property values?
A. So this scenario does say that if the economy in Detroit improves, we would see improvement to taxable values in the city. We would see improved property tax revenue.
Q. And under your model, improving services in the city should improve property tax revenues, correct?
A. We didn't look at services offered by the City.
Q. Okay. So you did no analysis to determine



the effect on improved services on property tax revenues, correct?
A. Did not look at the relationship between improved city services and property tax revenue.
Q. Do you agree it's at least theoretically possible that improving city services could increase property tax revenues?
A. I agree it's theoretically possible.
Q. Page 9 to 10 you talk about the growth rates after recessions. Do you see that?
A. Yes.
Q. And you mention historical data. What historical data did you look at?
A. So I pulled historical taxable value information from the State Tax Commission for Detroit.
Q. And then did you use your judgment to set the various growth rates that you assume in your forecasting model?
A. Yeah. So I performed some analysis and then used that analysis to select growth rates.
Q. When you say analysis, what calculation did you perform?
A. So in this case, looking at historical taxable value and trends and seeing during



different periods on different tax bases what's happened in the city.
Q. For any of the historical trends that you talk about in your report, did you actually come up with a mathematical formula to specify the trend, or did you eyeball it?
MR. STEWART: Objection.
THE WITNESS: So I mean, I would type in a compounded annual growth rate formula and calculate the compound annual growth rate, things like that. That's a formula, I guess.
BY MR. SMITH:
Q. But in order to do the trend, I mean, how did you figure out what the trend was? Did you do any mathematical analysis to determine the trend or not?
A. So I would calculate certain things using the data.
Q. What kind of things?
A. Like the compounded annual growth rate during certain periods.
Q. Did you just take an average of certain number of years or --
A. So I would look at a time period, and then I would calculate -- so compounded annual growth

rate is what is the average growth rate during that time period that gets you from Point A to Point B.
Q. Okay. But then -- so you would just take a compounded annual growth rate over how many years?
A. So I would look at a time period and then calculate the compounded annual growth rate.
Q. Do you know what the time period was that you were using?
A. So I used different periods and different times, and I tried to lay that out, but normally I went back as far as I could. So the State Tax Commission data goes back to 2001, I believe, and then the -- then the most recent data I had was through 2013. So I looked at that period to get a sense of what -- in terms of long-run trends what happened to taxable value.
Q. Okay. Did you just do compounded annual growth rate for all those trends?
A. So I used the compounded annual growth rate for the long-run trend for certain things, and then if I wanted to see during, you know, periods after a recession or before a recession, so I used different time periods depending on what I was trying to do.



Q. So you used different time periods in assessing historical trends -- the various historical trends that you discuss in your report; is that correct?
A. There are different time periods in my report for different things.
Q. Okay. Why did you use different periods of time in looking at national trends for property tax collections in D? It's in Paragraph D(ii).
A. So part of the forecasting procedure is to look at past data and to understand historical trends, and then throughout our forecast work, we consulted forecasts when they were relevant. And in this case, the Congressional Budget Office has a -- they put together a 10-year forecast, and so I looked to see what the Congressional Budget Office had forecast. So they have the Federal Housing Finance Agency House Price Index, so I looked to see what they had forecasted nationally, and their forecast only goes to 2023.
Q. For the growth rates after 2027, are those growth rates that you essentially picked using your judgment?
A. So growth rates after 2027 used the historical data that I mentioned before, so tax



years 2023, to see what the long-run change is in taxable value for Detroit during the periods. So you use that, which during that period there were ups and downs and used that long-run growth rate for the extrapolation of property taxes post 2027.
Q. But you reduced the growth rate under your analysis, correct?
A. So we have various growth rates during the extrapolation, so in the forecast at the end of the 10-year, we have -- across the board, we have sort of improvements in Detroit, and so we modeled growth in property taxes that looked more like the national. And then we have sort of that period phasing down until we get to the long-run equilibrium.
Q. The reductions in the growth rate, though, that you put into your model, were those based on your judgment?
A. And so after doing the analysis, I looked at the data, and then I made a judgment about what growth rates I should put in there.
Q. And you reduced them, correct?
A. And I reduced to reach the long-run equilibrium.
Q. And then you used some building permit



data for Wayne County, correct?
A. Correct.
Q. And have you updated that data to the present time or not?
A. So I used through 2013, which would be the most recent data available.
Q. Well, there is data available for 2014 now regarding building permits for Wayne County, correct?
A. So there would be a few months' worth of data. It wouldn't be for the entire year.
Q. Have you looked to see what that data shows?
A. I did pull -- in the latest round, I pulled as much data as there were last month, so I would have pulled a few months more of data.
Q. But did you use -- did you factor any of the data from 2014 for building permits and construction into your analysis?
A. I did not use 2014 because I didn't have an entire year.
Q. Okay. Has there been an increase in construction permitting activity in terms of the dollar amount of construction in 2014 so far compared to prior years?

A. So all years are showing there was construction in Wayne County.
Q. And my question is is there an increase in activity in 2014 in terms of construction activity?
A. My recollection going off memory was that we're looking better in 2014.
Q. And what purpose did you use the permitting and construction data for?
A. So residential taxable value, one of the components of that are additions to the tax base. And to get a sense of what new activity there was, I looked at the permit data for Wayne County, and then I apportioned that activity to Detroit based on Detroit's share of taxable value in the county.
Q. All other things being equal, the more permitting and construction activity there is, the more property tax revenue will be forecasted, correct?
A. It depends because you could have construction activity and the City puts it in a Renaissance Zone, and you don't pay taxes on it.
Q. Well, I mean, how did you use the data in your -- in developing your assumptions?
A. So I looked at it to see what sort of increases in taxable value were happening and used



that to inform my growth rate selection.
Q. And did increasing building or construction activity in your model, would that lead to increase in property tax revenue?
A. In my model, increases in permitting and new additions to the tax base, higher taxable value, all things equal, leads to more property tax review.
Q. Over on Page 13, you mentioned the Detroit Association of Realtor data that we've discussed previously. Do you see that?
A. Uh-huh.
Q. And you say that according to Detroit Association of Realtors data, average existing home prices in Detroit fell 63 percent between 2006 and 2013. Do you see that?
A. Yes.
Q. In fact, the data that's being reported by the Detroit realtors is data for home sales, correct?
A. They're reporting average home sale prices.
Q. Right. So it's only a subset of the housing stock that's being actually sold that the Detroit index is measuring, correct?



A. It would be whatever the realtors in this association are reporting.
Q. And they would only be reporting housing sale prices, correct?
A. As opposed to what?
Q. Most of the housing stock is not being sold, correct? There's houses that aren't sold, right?
A. That's right. Like Case-Shiller or other things, it's measuring -- this data is measuring sales.
Q. Okay. And so this data that you've used in your analysis doesn't give us a value for houses that aren't being sold during the period you examined, correct?
A. This is just sales data.
Q. Okay. So it wouldn't give us a value for the houses that aren't being sold during the period you've looked at, correct?
A. It would not tell me the sales price of housing that has not been sold, yes.
Q. And it wouldn't tell you the value of housing that hasn't been sold, correct?
A. It wouldn't tell me the market value of homes that have not been sold.



Q. Okay.
A. True.
Q. Why did you only -- was data available before 2006?
A. Yeah. As we pointed out earlier, I had 1995, '98, 2001 to 2006.
Q. Okay.
A. I'm sorry. 2001 to 2013 and then some months of 2014.
Q. Okay. Did you only use a subset of the data you had reviewed in using -- in terms of calculating a housing price, or what did you use this data for first?
A. So as part of looking at the residential taxable value, an important component of that is, you know, what's happening to sort of the market values, how does that -- how does that impact state equalized value? What's the relationship there, state equalized value, capped value? This is part of helping us think -- helping me think through what's going on with the residential taxable value.
So I looked at Detroit Association of Realtor data because it's publicly available data on the market value of residential homes in the city. And things like Case-Shiller only look at

the metro area, not Detroit specifically, so this was a chance to have some Detroit-specific data.
Q. Okay. And why didn't you look -- I mean, did you use the data to -- as a number input in your model? How was it used?
A. How was it used? So again, we did the analysis to see sort of where home prices were in the city and compare it to the City of Detroit's published state equalized value and taxable values, and then I was able to use that information in helping think through what was going to happen to residential taxable value in the forecast, so it helped me select my growth rates.
Q. Okay. And so the -- if you had looked at a different period of time, your growth rate assumptions would be different, correct?
A. Well, I did look at different periods of time. So I looked at longer periods and shorter periods, and I -- ultimately this information was used to help think through, you know, what were home prices -- average home prices five, 10, 15, 20 years ago, and what would their taxable value look like today versus where would it be reset if the home sold today. And so that helped me think about well, how much would taxable value have to



fall, how much is state equalized value likely to fall and go below -- need to go below the capped value and therefore, affect taxable value.
All of that is to say I looked at various time periods and used that to think through what needed to happen to taxable value in the forecast for residential property.
Q. Okay. If the property values don't fall below capped value, I mean, what's the effect of that?
A. I don't understand your question.
Q. Let me ask a better question. Down at the bottom of Page 13, you say that your forecast assumes a reduction in residential taxable value of between negative 2 and 4 percent per year between fiscal year 2016 and fiscal year 2020?
A. Yes.
Q. Is that assumption based on your judgment?
A. I used my judgment to select those rates, yes.
Q. And did those rates change over each year?
A. There are some years that I think have the same rate, so it varied depending on -- some of them are the same. Some of them aren't. I can't remember year to year what I picked.



Q. And did you use your judgment to pick whether the rate would change in a given year for all the years that are covered by your forecast?
A. Well, so the goal here in using -- so using some data to think about what's likely to happen to taxable value and then looking at sort of overall how much -- looking at the data, how much do I think taxable value on the residential side needs to drop and then spreading that out and thinking through how many years is it going to take, is this process going to take and then applying a growth rate for -- to those years.
Q. When you say figuring out how much residential value needs to drop, what do you mean?
A. So doing an analysis looking at -- in this case -- so overassessments impact taxable value in the following way. If your house is overassessed, your state equalized value is going to be higher than your capped value, and you're going to be paying taxable value equal to your capped value. If your assessment falls and your equalized value goes below your capped value, then your taxable value would fall, so it would be the lesser of the two.
And so I've now forgotten what you've



asked me after having gone through that.
Q. Right now the county isn't -- right now the county is saying that the properties are not overassessed, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know if the -- the county has given it an equalization factor of 1.
BY MR. SMITH:
Q. Okay. And that means in the county's view, the property is not overassessed, correct?
MR. STEWART: Objection.
THE WITNESS: Through their process, the county has given them an equalization factor of 1.
BY MR. SMITH:
Q. Okay. And that means the county determines that the property is not overassessed because if it thought it was overassessed, it wouldn't give them a value of 1, correct?
A. So the process is that if the county thinks that the property is overassessed, it would not give it a factor of 1.
Q. 15 percent value at the bottom of the page, that's the value that you assumed for the effect on taxable value from the reappraisal study that's planned in three -- that's going to take

three to five years, correct?
MR. STEWART: Sorry. Where are we again?
THE WITNESS: Where are we?
BY MR. SMITH:
Q. Bottom of Page 14. The 15 percent drop in residential taxable value is the value you assumed based on that reappraisal study that's going to take place in the future; is that correct?
A. Yes.
Q. And then over on the top of Page 15, you say that your assumption of the 15 percent decline would bring residential taxable value to approximately half of its fiscal 2013 level. Is that accurate?
A. That's accurate.
Q. And so based on your assumption regarding the effect of the reappraisal study, you're saying that the taxable value of the property in the city would be reduced in half, correct?
A. No. I said the residential value would be half.
Q. As a result of your assumption about the reappraisal study, you're concluding that the residential taxable value will be reduced in half, correct?



A. It will be half of its fiscal year 2013 level, the residential taxable value.
Q. For commercial or industrial property, how did you go about figuring out taxable value for those?
A. So taxable value, how did I go about figuring out? So commercial and industrial taxable value, I pulled historic information as the starting point and then applied growth rates for the forecast period.
Q. For commercial and industrial property, you didn't factor in the potential of reappraisal during the forecast period, correct?
A. So during the next few years, I have commercial and industrial property taxable value declining. How property is evaluated for commercial industrial, I did not have a big factor like I did with residential.
Q. Do you know how the value of commercial industrial property is set by the City?
A. For personal, I understand. For real property, I know the methods they can choose from. I don't know exactly what the City has been selecting.
Q. Do you know -- I mean, do you know what



the City is going to do in the future in terms of evaluation of industrial or commercial property? Like have you investigated its plans or not?
A. I have not talked to the City about their plans about how they're assessing commercial industrial property.
Q. And the reason you don't have the big drop in taxable value for a commercial and industrial property is because you're not using this assumption of a reappraisal for those categories of property, correct?
A. So in this case, I don't have the reappraisal process resulting in a huge drop in commercial and industrial taxable value.
Q. But you do have a huge drop in taxable value for the residential property based on the planned reappraisal study that's going to take place over the next several years, correct?
MR. STEWART: Objection.
THE WITNESS: Can you say that again?
BY MR. SMITH:
Q. You do have a huge drop in the taxable value for residential property based on this reappraisal study that's planned to take place in the future over the next several years, correct?



A. So I have a 15 percent drop in -- well, I have a 15 percent drop between fiscal year 2019 and 2020 on the residential side because of the reappraisal.
Q. And that 15 percent drop results in wiping out half of the taxable value of residential property in the city, correct?
A. When you take into account what the taxable value is by 2020 compared to 2013, it's going to be half of the 2013 level.
Q. And that's in addition to drops in taxable value that have already occurred before 2013, correct?
A. The drops of taxable value before 2013?
Q. Yeah. Before 2013, taxable value already decreased, correct?
A. Yes.
Q. And so your forecasted 50 percent reduction is in addition to the reduction that has already occurred in taxable value in the city for residential property, correct?
A. There have been reductions in taxable value, and we have continued reductions occurring because of reassessments and reappraisals, yes.
Q. And the continued reduction in taxable

value, that's because of actions the City is going to take in the future, correct?
A. So some of the reductions in the residential taxable value are based on planned actions of the City, and some of them are not.
Q. Which ones are not?
A. Well, so as detailed earlier, there are, you know, things that are at -- causing taxable value on the residential side to decline that aren't based on the study, so population declines, etcetera.
Q. The greatest factor in reducing taxable value in your analysis are actions the City is going to take in the future, correct?
A. Can you say that again?
Q. The greatest factor causing a reduction in taxable value in your forecast is actions that the City is going to take in the future, correct?
A. So the largest drop in taxable value in the forecast have been -- so in fiscal year 2015, the City lowered assessments, and so that created a large drop in taxable value for residential, and so that's an action of the City. And then the planned reappraisal study is a second large -- results in a second drop in taxable value, and it is also an



action of the City, yes.
Q. And do you have any idea what factors were taken into account in assessing property in the city?
A. So I know theoretically what they could be using. I don't know what they are actually using.
Q. So you don't know what factors the City used in factoring assessments in the reappraisal it has done so far, correct?
A. I do not know the specifics.
Q. And you do not know what factors the City may use in its planned reappraisal study in the future, correct?
A. So the reappraisal study, they're hiring an outside firm to do the reappraisal, so the City will take that information. I don't know exactly how they're going to use it.
Q. I mean, part of the reason the City seems to be reducing assessments is basically for political reasons to reduce people's property taxes, correct?
MR. STEWART: Objection.
THE WITNESS: I have no idea.
BY MR. SMITH:
Q. Well, do you know that -- when the



reassessments came out already, were you aware there was a press conference where the politicians all came out and said look, we're lowering your property taxes? Were you aware of that?
A. I was aware there was a press conference.
Q. And you're aware the politicians in the city of Detroit were saying that the reappraisal that they did which lowered property taxes was done to benefit the residents of the city, correct?
A. I haven't read anything about what city officials are saying about the reassessments.
Q. You agree that Detroit is planning to do a reassessment even though Wayne County is saying the property is properly assessed, correct?
A. I don't know if Wayne County is saying the properties are properly assessed. They're giving it a state equalization factor of 1.
Q. Okay. Even though -- even though Wayne County is giving the property an equalization factor of 1, which means it's not over or underassessed, the City, nonetheless, is going to go in and reappraise the property, correct?
MR. STEWART: Objection.
THE WITNESS: So my understanding is the City is taking -- hiring a group to parcel by parcel



reassess the property in the city.
BY MR. SMITH:
Q. Page 17, you note that much of the industrial personal property qualifies for a Renaissance Zone exemption. Do you see that?
MR. STEWART: What paragraph?
MR. SMITH: Up at the top of Page 17.
THE WITNESS: Uh-huh.
BY MR. SMITH:
Q. Do you know what percent of the industrial personal property is subject to a Renaissance Zone exemption?
A. Off the top of my head, no. Let me see. I think about two-thirds of it. This is just without my spreadsheet in front of me.
Q. During the historical period that you've looked at, did property tax rates change?
MR. STEWART: Could I have the question reread, please.
(Whereupon, the record was read as requested.)
THE WITNESS: Which specific property tax rates?
BY MR. SMITH:
Q. Well, did any of them change?

A. I don't know.
Q. Well, you mentioned that there were some years where the rates were above 20, and I'm just wondering whether there were other changes that you noticed in property tax rates in the historical data that you examined?
A. So I don't know for the years where I pulled taxable value what the property tax rates were in those given years year by year. I don't know.
Q. You're assuming that no property rate changes will change for the next 40 years, correct?
A. The analysis done as such keeps the tax rate constant.
Q. And it does that for 40 years, correct?
A. Well, so we did a 10-year forecast where we kept our tax rates at current level, current law levels and then extrapolated for another 30 years, and so that, in effect, we're sort of holding tax rates constant.
Q. And you're doing that, in effect, for 40 years, correct?
A. For 40 years in total.
Q. Have you ever done a forecast before when you assumed the tax rates would remain constant for



as long as 40 years?
A. I think this is the only time I've done a 40-year forecast.
Q. And is it the only time you've done a 10-year tax forecast?
A. I have done 10-year forecasts of tax revenue for specific projects for individual clients.
Q. Okay. But you had never done a forecast for as long as 10 years trying to forecast revenues for a city or other government entity, correct?
A. I don't think so. I think just Detroit.
Q. And I mean, in the other -- what's the longest tax forecast that you've done for a city or any other governmental entity other than the Detroit one?
A. Well, so most of my work that I've done I've forecasted tax revenues to a municipality, but I wasn't working for the municipality. So I've done forecasts for -- I guess I've done forecasts for projects involving taxes to the State of Michigan. You know, those have been five to 10 years.
Q. I mean, my question is not about individual projects. I'm talking about overall tax



revenues. You haven't done any forecasts of overall tax revenues to a city or other government entity for as long as 10 years, correct?
A. I can't remember if for the Business Leaders for Michigan project, which was forecasting State of Michigan tax revenue, how long our time frame was. That was forecasted at least five years. I don't know how much longer if I did -- if I did beyond that.
Q. Okay.
A. So I don't know.
Q. And that was just the sales -- was that limited to certain taxes in Michigan, or was it all taxes?
A. In that case, it was limited to a few taxes.
Q. When you did the Flint, Michigan forecast, how many years was that?
A. Five years.
Q. Did you assume that tax rates would all stay constant for five years in Flint, Michigan?
A. So I think as I said earlier, they do have certain millages expiring, and so anything that was in current law we took into account. So if a millage was expiring, then we would add it back in



for parts of the analysis where it was relevant.
Q. And did you look at corporate tax at all in your Flint, Michigan analysis?
A. So we looked at income taxes.
Q. And you know the corporate income tax rates changed recently, correct?
A. Corporate tax rates have changed, yes.
Q. Did you factor that into your analysis, or was that not during the period of your analysis?
A. So anytime there were changes that had been enacted, they were taken into account. So if there was something on any of the taxes, if they were by law slated to expire, decrease, increase, we would incorporate that.
Q. And do you advise about various tax rates in different states in the course of your practice?
A. What do you mean by advise?
Q. I mean do you give advice or do analysis of tax rates in different states or what they are?
MR. STEWART: Objection.
THE WITNESS: So part of our practice, we will look at effective tax rates that various industries are facing in certain states. We do a tax burden study where we look at the tax environment for all 50 states. So we don't offer specific advice about

whether you should lower or increase your taxes. We will do an analysis of what businesses are paying.
BY MR. SMITH:
Q. But based on the surveys Ernst & Young does, you know that tax rates change in states on various taxes, correct?
A. Yes, tax rates change from time to time.
Q. And so -- well, do you update your survey every year, or how often do you update that?
A. We have sort of complex models, so we every few years will go through, and we will update our models, our state-by-state models to take into account tax rate changes that have happened.
Q. Okay. And you know that tax rates frequently change on various taxes in the states, correct?
A. I don't know about frequently, but when tax rates change and have been -- gone into effect, we put them in our model.
Q. Okay. Have there ever been any states where tax rates didn't change for 10 or 40 years in your survey that you can identify?
A. I don't know off the top of my head if there are states that have had the same tax rate



for 10 or 40 years. I don't know.
Q. You can't identify anyone sitting here today?
A. I don't know. I would have to look at the data and then come back and tell you.
Q. You can't identify anyone sitting here, any state where tax rates haven't changed for 10 or 40 years sitting here today, correct?
A. There could be. I just don't know off the top of my head.
Q. And certainly you know that tax rates have changed in the last 10 years in Detroit? I mean in Michigan, correct?
A. Tax rates for various taxes have changed in the last 10 years, yes.
Q. What kind of tax rates have changed in the last 10 years in Michigan?
A. So Michigan's taxes on business have changed in the last 10 years.
Q. And have corporate tax rates changed in the last 10 years?
A. Well --
Q. I mean, have individual tax rates, personal tax rates changed over the last 10 years in Michigan?



A. The state level?
Q. Yeah.
A. Has the state? I can't remember if the state personal income tax rate has -- I think it -- yes, it has changed. I mean, so yeah, there are tax rates that have changed. New taxes have been passed and old taxes eliminated.
Q. What kind of taxes have been passed in Michigan in the last 10 years?
A. So we're going back to what, 2004, so the single business tax was replaced with the Michigan business tax, which then was replaced by the corporate income tax.
Q. Has the sales tax changed in Michigan in the last 10 years, if you know?
A. I don't think so.
Q. Page 18 at the bottom, you've got this 20 percent reduction or 20 percent of the property tax revenue from industrial and commercial property will not be replaced by a new funding mechanism. Do you see that statement?
A. Yes.
Q. And that was an assumption you made based on your judgment?
MR. STEWART: Objection.



THE WITNESS: So we looked at the -- looked at the set of laws that had been passed about the personal property tax, and I looked at the Michigan Senate Fiscal Agency memo. And they put together an estimate of how much of the lost revenue would be replaced by various funding mechanisms, so that was used to help me select how much revenue Detroit would lose with the repeal and then to factor in the likelihood that voters approve the referendum next month.
BY MR. SMITH:
Q. And was that a statewide estimate, though, of how much revenue would be replaced?
A. It was a statewide.
Q. So there wasn't any estimate of how much revenue Detroit might lose from personal property tax legislation that you've ever seen, correct?
A. I have not seen a Detroit-specific estimate.
Q. Other than what Mr. Evanko provided in his deposition, correct?
MR. STEWART: Objection.
THE WITNESS: Did he provide a specific number?
BY MR. SMITH:
Q. Yeah. He was talking about .7 percent.

MR. STEWART: No, he did not. He said that's tax base. He used the word tax base. You just misquoted him. She's talking about the personal property receipts reduction. He was talking about the overall tax base.
BY MR. SMITH:
Q. Okay. So you've never seen any estimate for personal property tax receipts reduction in anything you've seen, correct?
A. I have not seen anything that is Detroit-specific.
Q. How did you pick -- I think you gave it a 50/50 chance of passing. How did you pick that number?
A. So doing the analysis, we started doing the work, like I said, over a year ago, and the referendum, the ballot was coming up a year later. And you know, just like most things, there's a certain probability it will go through. At that point, we had to select a probability that 50/50 was reasonable.
Q. I mean, you didn't do any investigation into the likelihood of passage in the legislature of the personal property legislation?
MR. STEWART: Objection.



THE WITNESS: Well, by this point, the legislature had already passed it, so it's whether or not the voters approve it. And so you know, you have to say, you know, I follow the press, and at that point, some people are for it. Some people are against it. So 50/50 seemed reasonable.
I mean, at the end of the day, we needed to -- we were trying to come up with a reasonable method of thinking about what personal property tax revenue the City would lose, and this seemed like the best method.
BY MR. SMITH:
Q. At the end of the day, nobody knows whether this new legislation is going to pass about personal property taxes; is that correct?
MR. STEWART: Objection.
THE WITNESS: I guess we'll know in two weeks, a week and a half.
BY MR. SMITH:
Q. Right now, though, I mean, when you put together your expert opinions, you had no way of knowing whether the personal property tax legislation would pass, correct?
MR. STEWART: Objection.
THE WITNESS: Yes. So the way of dealing with



that uncertainty is to assign a probability and then to multiply that probability by sort of an average reduction, what's a reasonable reduction in property tax revenue, and so that's how we arrived at our estimate.
BY MR. SMITH:
Q. You mentioned reasonable a lot of times. Can you give me your definition of reasonable in terms of forecasting?
A. In this case, reasonable is realistic or likely.
Q. And you would agree with me there could be more than one reasonable forecast for the City of Detroit, correct?
A. I would agree with that.
Q. Page 18, Paragraph ix (a), you've got some collection rates for residential property, commercial property and industrial and utility property. Were those assumptions based on your judgement?
MR. STEWART: Which page?
MR. SMITH: 19.
BY MR. SMITH:
Q. On Page 19, you made -- you have some numbers for the collection rates you used of



50 percent for residential property, 3 percent for commercial property, 87 percent for industrial property and 100 percent for utility property.
Were those assumptions you made based on your judgment?
A. These were after looking at data provided by the City on their collection rates by type of property, I then selected those rates.
Q. So in the baseline scenario, are you assuming that the City is not going to collect more than 50 percent of its residential property tax?
A. For part of it. So I kept the current situation of about 50 percent collections on non-delinquent for residential. I kept that assumption for the next four years of the forecast, and I increased it after that.
Q. And why was it four years that you kept that assumption rather than five or six years?
A. It's coinciding with the reappraisal study. So when the results go on, the forecast has things stabilizing on the residential side.
Q. So it's your belief that the reappraisal study will result in the stabilization of property tax, or let me ask you another question. Is it your view that the reappraisal study is going to

increase property tax collection rates?
A. So the forecast has, after the reappraisal, a slight improvement to the collection rate.
Q. And why is that?
A. So there are two things. One, the collection rate goes up because you remove certain property that isn't paying off the roll, and so your tax base becomes smaller, but your collection rate goes up. And the second is that if you have people that have now seen their property tax bills go down and they had been protesting because they thought they were too high, they were ridiculous, we have a small improvement in those folks' pain.
Q. And those improvements, were those just numbers you picked based on your judgment?
A. So the improvements in those areas having it -- kind of go back to times in history. So before the most recent recession, as you noted earlier, residential collection rates were in the 70s, and so use that historic information as a guide to what's reasonable, you know, what kind of improvement might we see. And so that helped me select the collection rates in the forecast.
Q. Okay. On Page 20, under heading B, it



says Ms. Sallee forecasted the planned city reinvestments would have a modest impact on tax revenues. Do you see that?
A. Yes.
Q. In fact, did you personally forecast the effect of reinvestments on tax revenues, or was that somebody else?
A. So in this case, we have in the scenario reinvestments improving the City's economic climate, and that, in turn, improves the tax bases and ultimately tax revenue.
Q. How does reinvestment improve the City's economic climate?
A. So there are a number of different ways. In this case, the City, in their reinvestment scenarios that I looked at, had things for blight reduction or improved safety, improved lighting, things that could ultimately, you know, positively impact various property tax bases on the residential and commercial industrial side. And so this scenario thinks about well, what are the likely magnitude of that -- you know, what's the magnitude of improvements to the tax base, and then we sort of modeled that in this scenario.
Q. You had no study or data, though, showing



the relationship between reinvestment and improvements in economic climate, correct?
A. It would be difficult to do that, but you're right. There was no study that I looked at.
Q. You just kind of picked those numbers?
A. Ultimately I had to select some growth rates.
Q. 20, down at the bottom of Page 20, you have slight additions to taxable value of 1 percent beginning in fiscal year 2017 for commercial and industrial taxable values?
A. Uh-huh.
Q. Where did the 1 percent come from?
A. So in terms of looking at what has happened, you know, to the City sort of post downturns and what are kind of the size of improvements, you know, using that kind of analysis to help think about well, what are reasonable growth rates, and at the end of the day selected 1 percent is a reasonable growth rate.
Q. On Page 21, you say the City's population will continue to climb from 2024 until 2029. Do you see that?
A. Yes.
Q. And then below it talks about how you're



forecasting no population growth from 2029 until 2033. Do you see that?
A. Uh-huh.
Q. Did you personally forecast the population growth figures that you use, or was that Mr. Cline?
A. So I prepared the forecast after discussions with Mr. Cline and Katie Ballard.
Q. Have you actually looked at any of the data on population growth in the city of Detroit?
A. For what period?
Q. For any period of time.
A. So I've looked at population in Detroit since 2000.
Q. Okay. And that's all the data you've looked at?
A. The only other information I've looked at -- so in one of the reports that I mentioned that looked at sort of population trends between 1980 and 2010, so Detroit was one of those cities in that information. The year-by-year data I have looked at since 2000.
Q. And that's the -- is that the Brookings report?
A. That's the Brookings report.
(Document marked No. 15)
Q. I'm going to hand you what's been marked

as Exhibit 15, which is some information from that Brookings report. Do you recall seeing this?
A. Uh-huh.
Q. And for Detroit, for example, during 1990 to 2000, there was actually -- it's got a number here of 4.8 percent and .5 percent. Do you see that?
A. Yeah.
Q. And the 10-year growth is the .5 percent number. Do you see that?
A. Uh-huh.
Q. And the growth in Detroit during 1990 to 2000 is actually greater than other comparable cities, correct?
MR. STEWART: Objection.
THE WITNESS: It's below Akron.
BY MR. SMITH:
Q. But it's above Chicago. It's above Philadelphia. It's above Cleveland. It's above New Orleans. It's above Scranton. It's above Syracuse. It's above Toledo, right?
A. The Detroit metro area has been greater, but Chicago and Philly are just the city only.
Q. And so there's been periods of time in the last couple of decades where there's positive



population growth in Detroit, correct?
MR. STEWART: Objection.
THE WITNESS: Not in Detroit, the city, but the metro area saw some growth. You had sort of a good auto industry between 1990 to 2000, and so Detroit metro, same population growth makes sense. I don't think Detroit city gained population between 1990 and 2000.
BY MR. SMITH:
Q. Do you believe that there is a positive relationship between the health of the auto industry and the population in Detroit?
A. There has -- historically the entire southeast region has been -- there's been a relationship with the fortunes of the auto industry, yes.
Q. And so the better the auto industry does, the better the economy in Detroit; is that correct?
MR. STEWART: Objection.
THE WITNESS: I don't know about that. The better the economy -- the auto industry does, the better the entire southeast Michigan region does. I would agree with that.
BY MR. SMITH:
Q. Do you agree that the auto industry has



been improving in recent years?
A. When you say auto industry, you mean both domestic and international companies?
Q. Companies located in the Detroit area are improving in the auto industry, correct?
A. Well, again, so how do you measure improvement? More car sales? What?
Q. More revenues, more car sales, doing better in general.
A. So there are different measures. I mean, what's important more than anything for -- well, I guess there are two things that are important. It would be sort of cars that are being produced in the region and so jobs associated with that, and then like I said, jobs and employment in the industry. I don't know off the top of my head what employment in the auto industry has done in southeast Michigan in recent years. It fell dramatically the last decade, but I don't know recently.
Q. I mean, what would you say are the drivers of the economic health of the City of Detroit?
A. Can you be more specific with your question?
Q. Well, I mean, what are the most -- what



are the most important factors contributing to the economic health of Detroit?
A. So the economic health as measured by what?
Q. Well, in your forecast, you used some measures of the economy, right?
A. So a big driver in our analysis and forecast is employment.
Q. Okay. So the higher the employment levels, the more revenues you project for the City all other things being equal?
A. Not necessarily. It depends. So all other things, employment -- increased employment in the city would, everything else being equal, improve revenue.
Q. The numbers for population that you cite in your report on Page 21 on population growth, were those just assumptions that you made based on your judgment?
A. Which numbers?
Q. The .2 percent annual population growth, no population growth from 2029 to 2033, .2 percent population growth from 2034 to 2043, .3 percent annual population growth from 2044 until 2053. Were those numbers assumptions based on your

judgment?
A. So the forecast -- so the 10-year forecast we followed the SEMCOG forecast, and then for the 30-year extrapolation followed SEMCOG up until 2029. Both us and SEMCOG have in 2029-30 no population growth or sort of a leveling. And then in going forward, the .2 percent and the .3 percent that you mentioned, I did analysis of sort of metro areas that had experienced a decade of population decline and what growth they had afterwards, and that analysis led me to select those two growth rates.
Q. Does SEMCOG not project population values after 2029?
A. SEMCOG has a projection until 2050.
Q. Why didn't you use the SEMCOG projection during the entire forecast period?
A. So SEMCOG, they prepared their forecast before the bankruptcy, before the reinvestment scenarios were put together, and so the 30-year extrapolation is off of the -- with the reinvestment scenario, and so SEMCOG hadn't taken that into account, and so we decided that we needed to deviate from it slightly going after 2029.
Q. Do you project higher or lower population



growth factors than SEMCOG for after 2029?
A. So in some years, our growth actually matches theirs. Overall, our population forecasts are slightly higher than SEMCOG.
Q. On Page 22, you have a rate of increase for -- of 3.4 percent of taxable value in 2024 and 2025, and then -- I mean, what's that's based on?
A. So as we discussed earlier, I use the Congressional Budget Office forecasts, and they go out 10 years. And so I continued sort of -- looked to see what overall is happening with home prices and used that to help think through if Detroit, we have at the end of our 10-year, picking up and rebounding what's a reasonable growth rate in the first part of our 30-year extrapolation.
Q. Okay. If you go over to Page 24, in the middle of the page, you have a statement that there's no set formula for EVIP payments for the City of Detroit. That's a correct statement, correct?
A. So what is meant by that is there's no -- there's no, you know, statutory formula or any government formula for what needs to be allocated to the City of Detroit. There are components of EVIP, things that they are supposed to meet, but



unlike kind of the old statutory revenue sharing in Michigan where there was a way that money was supposed to be allocated, EVIP doesn't have that sort of formula.
Q. Okay. Did you hold the rate of revenue sharing constant over time in your forecast?
A. Only for the EVIP portion.
Q. And we know that the EVIP portion of state revenue sharing will not be constant during the 10 or 40-year period you forecast, correct?
A. We don't know that.
Q. I mean, if you were sitting here today, would your -- has there been any two years when the EVIP portion of revenue sharing has been the same?
A. EVIP has been around for three years, so no, they haven't been the same each year.
Q. Okay. We know that the EVIP portion, because it's based on a number of factors, is not going to be the same each year, correct?
A. You're right. It's not probably going to be the same each year. I don't know for certain.
Q. You've assumed a 2 to 3 percent sales tax growth rate. What was that based on?
A. Based on what the Michigan Department of Treasury forecasts.



Q. Okay. Is the treasury -- do they forecast it for years after 2025?
A. They do not.
Q. Okay. What period of time do they forecast it for?
A. So the information that I used, you know, started with actuals, so it probably started with fiscal year 2012, and then it went all the way to 2025.
Q. The -- you know that there's a forecasted increase in income tax revenues, correct?
MR. STEWART: Objection.
THE WITNESS: I don't have the disclosure statement in front of me, so I don't know exactly what the income tax revenues are for the 10 and 40-year off the top of my head.
BY MR. SMITH:
Q. I mean, do you know if they increase -- do you know if Ernst & Young is forecasting an increase or decrease for income tax revenues over 10 or 40 years?
A. So an increase compared to what? So year on year?
Q. Compared to 2013. I mean, what's the trend in income tax? Do you know if it's

increasing or decreasing under the Ernst & Young forecast?
A. So we have income tax -- so I'm going off memory. We have income taxes falling for a period and then growing for another period.
Q. Okay. And corporate tax, is that similar that the Ernst & Young forecasts have a growth in corporate tax?
A. I don't want to comment on it based on memory.
Q. Okay. On Page 25, you note that your 10-year forecast includes the legislature-approved fiscal year 2015 revenue sharing payments for Detroit. Do you see that? Do you see where I'm at?
A. Yes, I do.
Q. Your prior forecasts, you did not use the fiscal year 2005 revenue sharing payments for Detroit, correct?
MR. STEWART: Do you mean 2015?
MR. SMITH: 2015.
THE WITNESS: So previous iterations, we always used what the most recent current law amount was, so the legislature-approved fiscal year 2015 in the first week and a half of June. And so in the



latest version, we incorporated fiscal year 2015 once it had been passed.
BY MR. SMITH:
Q. And did the incorporation of fiscal year 2015 revenue sharing payments materially increase your forecast for the state revenue sharing?
A. What do you mean by materially?
Q. Well, do you know how much -- did it increase it?
A. So the EVIP payment to Detroit did go up between 2014 and 2015.
Q. And do you know how much it did?
A. It went up by almost 4 million.
Q. And then for periods after that, did you use the 2015 rate?
A. We used the higher 2015 amount.
Q. And what additional amounts did using the higher 2015 rate add to your forecast compared to the last time you did it?
A. Somewhere between 35, 40 million.
Q. Okay. So incorporating the fiscal year 2015 revenue sharing payment into your forecast increased revenue sharing by 35 to $40 million; is that correct?
A. Going off the top of my head, but it's



around there.
Q. Okay. And so using your assumption of current law remaining unchanged led you, in your prior forecast, to be off by approximately 35 to $40 million compared to your current forecast, correct?
A. So using current law, we had planned for -- so we used current law, which was lower than the fiscal year 2015 amount.
Q. And using -- the assumption of using current law led you to predict that revenue sharing would be 35 to $40 million lower than you're now predicting, correct?
A. So using current law led us to -- so we can compare what did we predict for 2015 compared to -- 2015 versus actual. And so using current law, we were slightly below. We don't know what's going to happen to EVIP. It could be eliminated next year, so this is --
Q. And it could be increased by 100 percent?
A. It could be increased by 100 percent. You never know, so this is a good way to do it.
Q. And my question is but using the assumption of no change in current law led you to underestimate state revenue sharing by 35 to



$40 million in your last projection compared to this projection, correct?
MR. STEWART: Objection.
THE WITNESS: I wouldn't say underestimate. The forecasts differ, and you're right. So using this new assumption, we are forecasting a higher state sharing EVIP revenue to Detroit. It remains to be seen whether that actually happens.
BY MR. SMITH:
Q. There's no way we know what the actual revenue sharing numbers are going to be over the period of your forecast?
A. That's right.
Q. They could be much higher, or the state could completely eliminate revenue sharing, correct?
A. They could eliminate EVIP and do something else or not do anything at all.
Q. The state could -- the City of Detroit could find itself in bankruptcy again within the next 10 years, correct?
MR. STEWART: Objection.
THE WITNESS: I have no idea.
BY MR. SMITH:
Q. Well, if the state eliminates revenue

sharing payments, the City could find itself in bankruptcy again within the next 10 years, correct?

MR. STEWART: Objection.

THE WITNESS: I have no idea.

BY MR. SMITH:

Q. In fact, you have no idea what's going to happen to the revenue streams that you measure in your forecast. There's too many factors, correct?

MR. STEWART: Objection.

THE WITNESS: So what we were asked to do was using reasonable assumptions, put -- reasonable meaning here realistic assumptions, put together a 10-year forecast and then a 30-year extrapolation of that, and that's what we did.

BY MR. SMITH:

Q. But there's -- your forecast can be changed depending on actions by various people in either the state government or the City of Detroit government, correct?

A. So -- so you know, the forecasting exercise, as any forecasting entity would tell you, you know, you forecast, and your forecasts can't really incorporate, you know, whimsical, random, whatever changes, large changes year to year, and the forecast exercise, you acknowledge that at the



get-go. And so you're right. Anything could happen.

Q. And the revenues received for property taxes and state revenue sharing depend on -- in the future, the actual revenues depend on actions by politically-elected state and city officials, correct?

A. I don't think I understand the question.

Q. Okay. The state revenue sharing depends on the -- in the future over the next 10 years depends on the action of elected officials in setting revenue sharing values, correct?

A. So a portion of it depends on the legislature.

Q. And the largest portion of revenue sharing depends on the actions of elected officials, correct?

A. The largest share for Detroit, not for the entire state.

Q. And similarly the property tax depends on the action of officials in the city of Detroit in terms of what they do with assessments over the next 10 years, correct?

A. Say that again.

Q. The actual property tax revenues in the



city of Detroit over the next 10 years depends on the actions of state -- city officials in terms of what they do with property tax assessments over the next 10 years, correct?

A. I would say it's one factor.

Q. And so right now you don't even -- nobody can know the identity of the officials that are going to influence revenues for the City in the next 10 years, correct?

A. It's possible that elected officials in the future that we do not know affect revenues.

Q. And it's impossible to know what actions officials in the city or state will take over the next 10 years that could materially impact the revenues to the City of Detroit, correct?

A. There are things that can happen that can impact the revenue forecasts.

Q. And it's impossible to know what those things are sitting here today?

A. The forecast takes into account what we know, and there could be things we don't know.

Q. And one of the things we don't know is what officials in the state or city will do which could have a material impact on the revenues that you forecast, correct?



MR. ALBERTS: Objection.

THE WITNESS: Future officials could have some impact on the revenues. That's a possibility.

BY MR. SMITH:

Q. I mean, they will have an impact. I mean, the state officials set the revenue sharing level really, right? We know for a fact that state officials are going to impact the revenue available to the City, correct?

A. We know that the legislature does set the amount of EVIP for Detroit.

Q. And we know for a fact that city officials are in charge of the assessments of property to the City, correct?

A. City officials set the property assessment rolls, yes.

Q. So we know as a matter of fact that officials from the city and the state will take unknown actions in the future that will have unknown consequences for the revenues that you estimate for the City of Detroit, correct?

A. It's possible that city officials, their actions in the future affect the forecast.

Q. And the same as the state officials, correct?

A. State officials can affect revenue that the City receives.
MR. STEWART: Should we take a break? It's been going about 90 minutes.
MR. SMITH: Sure.
THE VIDEOGRAPHER: Off the record. The time is 3:06 p.m.
(Whereupon, a short break was taken.)
THE VIDEOGRAPHER: We are back on the record. The time is 3:14 p.m.
BY MR. SMITH:
(Document marked No. 16)
Q. Ms. Sallee, I'm going to hand you a copy of what's been marked Exhibit 16. Have you seen that document before?
A. What date is this?
Q. I believe this is the July one, the July version of the forecast.
A. Then yes, I've seen it.
Q. I just wanted to ask you about there's a disclaimer on the front of the document. Are you familiar with that?
A. It's always on there. I don't know if I've read every word of it.
Q. Okay. Well, I'm going to ask you about



it, so --
A. Okay. Let me read it then. Okay.
Q. Do you agree with all the statements in the disclaimer that's on Exhibit 16 in front of you?
A. Well, I don't know if I can agree to everything because some of it I don't know, say, what the attestation standards are.
Q. Okay. You don't know what the attestation standards established by the AICPA are, correct?
A. I don't know what they are, no.
Q. Okay. With respect to your projections, would it be fair to say that you express no assurance of any kind on the information presented?
A. I do not. That would be true.
Q. And then the next sentence, let me know if you agree with it. It is the client's responsibility to make its own decision based on the information available to it. Management has the knowledge, experience and ability to form its own conclusions relating to the client's 10-year financial projections.
Do you agree with those statements?
A. I'm okay with the statements.
Q. Do you agree with the next statement?



There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material.
A. I would agree with that statement.
Q. Do you agree that EY -- Ernst & Young takes no responsibility for the achievement of forecasted results?
A. I think that's correct.
Q. Do you agree that accordingly, reliance on this report is prohibited by any third party as the projected financial information contained herein is subject to material change and may not reflect actual results?
A. I'm okay with that.
Q. I'm going to hand you -- well, you agree with that statement? When you say you're okay with that, you agree with it?
A. Well, I guess as an EY employee, I'm agreeing with this.
Q. Okay. And those statements go -- I mean, those are put together by experts at Ernst & Young; is that correct?
MR. STEWART: Objection.
THE WITNESS: I didn't write this.



BY MR. SMITH:
Q. Okay.
A. I don't know who wrote it. I don't know who wrote it.
(Document marked No. 17)
Q. Why don't I hand you what's been marked as Exhibit 17. Let me know if you've seen this document before.
A. I have not seen this.
Q. Okay. Do you see that it's the disclosure statement by the City, its fourth-amended disclosure statement?
A. Where does say that?
Q. On the front page. The title there in the middle, it says --
A. Fourth-amended, oh, I see. Okay.
Q. I just want to identify the document for you.
A. Great.
Q. You haven't done anything to, obviously, go through the disclosure statement and ensure that the statements in there are consistent with the assumptions in your projections, correct?
A. What's the date on the fourth disclosure?
Q. May 5, 2014 it was filed with the court.
A. Okay. I have not read through this

disclosure statement.
Q. Okay. So you haven't done an analysis to go through the fourth-amended disclosure statement to make sure that all of your assumptions are consistent with the disclosure statement, correct?
A. So we provided forecasts that were included in the previous version, and we hadn't made any changes in this version. So I had gone through the previous disclosure statement to make sure our numbers were accurate. I have not gone through this one.
Q. Okay. Have you actually read the text of any of the disclosure statements?
A. I have.
Q. Okay. Then I'd like to direct you to Page 97 of 197. It's down in the -- the pagination is down in the right-hand corner --
A. Oh, I see.
Q. -- that I'm going to refer to.
A. Okay. So Page 97.
Q. 97 of 197.
A. Okay.
Q. Do you see the section failure to achieve projected financial performance?
A. Okay.



Q. The disclosure statement says the projections are dependent upon the successful implementation of the City's budget and the reliability of other estimates and assumptions accompanying the projections.
Do you agree with that statement as it relates to your projections that you've made?
A. I guess I don't have an opinion about this sentence.
Q. Okay. The next page at the top of the page --
MR. STEWART: What language?
MR. SMITH: I'm waiting for the witness.
BY MR. SMITH:
Q. The next page, are you on the next page, Ms. Sallee?
A. I am not yet. Hold on. Okay.
Q. The top of the page, it says these estimates and assumptions may not be realized and are inherently subject to significant economic uncertainties and contingencies, many of which are beyond the City's control.
Do you agree with that statement as it relates to your projections?
A. I would agree with the statement.



Q. The next section, unforeseen financial circumstances affecting the City's future financial performance, do you see that, that section?
A. Okay.
Q. The disclosure statement says the plan and projections underlying the plan are based on certain assumptions about the City's future financial performance. Unforeseen events and circumstances may occur affecting the City's future financial performance resulting in those assumptions proving inaccurate and the City being unable to fulfill its obligations under the plan.
Do you agree with that statement as it relates to your projections?
MR. STEWART: Objection.
THE WITNESS: So in this case, I mean, so it's talking about the entire plan. So you know, we did revenue forecasts. And as you've -- this language and other language has pointed out, there can be unforeseen events and circumstances that can affect them, and we don't know what they are.
BY MR. SMITH:
Q. And so do you agree with that statement as it relates to your projections?
A. In that sense, the City being unable to



fulfill its obligations, that seems a little kind of not as applicable to the stuff that I did, but unforeseen events and circumstances may occur affecting the City's, say, future revenue collections, that applies.
Q. Okay. So you agree that there are unforeseen circumstances and events that may occur that affect the City's future tax revenues and revenue sharing payments?
A. Yes, I agree with that.
Q. And then the last sentence, no guarantee can be made as to the City's future financial performance due to a variety of unforeseeable circumstances that may affect such performance. Do you agree with that statement as it relates to your projections?
A. I agree you cannot make a guarantee on the revenue forecasts that I've made.
(Document marked No. 18)
Q. I'm going to hand you what I've marked as Exhibit 18, which is some of the spreadsheets from the projections relating to your work. Starting with fiscal year 2015 and going to 2023, can you tell me how you forecast the percent changes in the assessed value of real property?
A. So this is not my spreadsheet, so this is

prepared based on the analysis I provided.
Q. Okay. I'm just wondering how did you -- did you forecast the real property, personal property and Renaissance Zone numbers that are contained in this spreadsheet?
MR. STEWART: What exhibit number is this one?
MR. SMITH: It's 18.
THE WITNESS: So here this says change in assessed values, but it should be change in taxable value because these are -- so you see values, and these are taxable values, and these look like they're my numbers, yes.
BY MR. SMITH:
Q. Okay. Are the values that are under the heading change in assessed values your numbers?
A. They are not how I prepared it. They've calculated those based on the taxable values, and I put together the taxable values that are shown here.
Q. Okay. So the numbers that are in this spreadsheet are your numbers, but they're really taxable values and not assessed values; is that correct?
A. They're taxable values, yes.
Q. So somebody made an error in putting



together the description of this data in this spreadsheet, correct?
A. They labeled the change in values in a way that I wouldn't have labeled it.
Q. They labeled it in an inaccurate way, correct?
A. I would have used a different label.
Q. The taxable values shown here, they change from year to year, correct?
A. Taxable values change from year to year, yes.
Q. And can you tell me are all those changes numbers you picked based on your judgment?
A. So as we talked about, to come to these total taxable value numbers for each year, I did analysis for each tax base and selected the growth rates, and that modeling feeds into those total values.
Q. And the growth rates, all these growth rates vary in each year. Those were numbers you picked based on your judgment, correct?
A. After doing analysis, I selected certain growth rates, and I used my judgment, yes.
Q. So all these different numbers for each year and each category of property are numbers you



picked based on your judgment for the growth rate, correct?
A. After doing analysis, I selected growth rates for each of the tax bases, and I had to use my judgment to select those growth rates.
Q. And when you said you did analysis, you didn't calculate any of those growth rates, did you?
A. What do you mean by calculate?
Q. You didn't calculate any of the growth rates using a mathematical formula, correct?
A. Well, all of the analysis requires some sort of mathematical formula.
Q. But those growth rates that appear in the spreadsheet, those aren't generated by a mathematical formula, correct?
A. I guess it depends on mathematical formula. I mean, so math is used in the analysis.
Q. But you didn't -- the numbers that are chosen for the growth rate are selected numbers. They're not numbers that are calculated using a mathematical formula, correct?
MR. STEWART: Objection.
THE WITNESS: Ultimately all of the numbers, the growth rates, I had to select.



BY MR. SMITH:
Q. If we look at the General Fund collection rates, do you see where that is on this spreadsheet down kind of towards the bottom?
A. I do.
Q. Did you select the General Fund collection rates that vary from year to year for your analysis?
A. So those were built up, as we discussed earlier, by looking at the non-delinquent collection rates by each type of property and then also the payments from Wayne County. And so for historical years, I was able to see what the total collection rate was and then going forward had to decide what that collection rate would be, so I had to use my judgment to ultimately select the collection rate going forward.
Q. Okay. So for future years, 2015 going forward, you selected the collection rates for the various categories based on your judgment, correct?
A. Based on my analysis of the different components and how they were being collected, I did use my judgment to select those rates.
Q. But the collection rates you used are numbers you selected, and they're not numbers that

were generated by a calculation from a mathematical formula, correct?

MR. STEWART: Objection.

THE WITNESS: Well, again, math is involved, so for this, if you -- you know, in the model, I've gone through and said what are the collection rates by different types of property based on data that the City provided, and I had to make an assumption about what that would look like during the forecast period. And then math is used then to get to the numbers that are here. At the end of the day, I had to select information that generates this number.

BY MR. SMITH:

Q. All of the collection rates are selected numbers that are based on your assumption regarding what the collection rates will be in the future, correct?

MR. STEWART: Objection.

THE WITNESS: So the collection rates here are a product of my analysis and my judgment.

BY MR. SMITH:

Q. Okay. But they're not -- but the collection rates aren't rates that are calculated for each year based on a mathematical formula where



you plug in which year it is and then out pops a number for the collection rate, correct?

MR. STEWART: Objection.

THE WITNESS: Well, so all of these collection rates that are shown here, these were -- the various assumptions that build up to this were adjusted, and so in some sense, I guess they were calculated.

BY MR. SMITH:

Q. They were selected numbers, correct?

MR. STEWART: Objection.

BY MR. SMITH:

Q. That were selected after you made adjustments based on your judgment, correct?

A. Well, I don't know what you mean by adjustments.

Q. Well, you just mentioned that you were making adjustments to the numbers over time, right?

A. Well, I said I had to make certain assumptions about what the different types of property, what the collection was going to be on non-delinquent and then what did the net revolving fund payments from Wayne County have to be. So they're a selection of those inputs, and then that informed the number that you see here.



Q. Okay. And my only point is the numbers that were generated each year for collection rates were not generated by a mathematical formula. They were based on your selection using your judgment, correct?

MR. STEWART: Objection. What is this, the sixth time you've asked this now? I mean, it's getting late. How many times are you going to ask this question? She's answered it six times. Is your answer any different than any answer you've given before to that question?

MR. SMITH: Listen, stop coaching the witness.

MR. STEWART: It's not coaching at all.

MR. SMITH: You're engaged in speaking objections. What's the basis you have for making a speaking objection?

MR. STEWART: Because you've harassed the witness by asking the same question over and over, which is improper.

MR. SMITH: Well, the video will show the witness is smiling right now.

MR. STEWART: The video is going to show -- the video is going to show this abusiveness. You're arguing with the witness, and you ask the same question again and again and again and again. And



it's abusive, and it's improper. Now, she's going to answer it one last time. Then I'm going to instruct her after that because you've asked it how many times now?

MR. SMITH: Once.

MR. STEWART: No. That's what the video is going to show. Let's have it asked the sixth time, given the answer for the sixth time, and then we're going to move on. So let's reread the question.

BY MR. SMITH:

Q. I'll just ask it so we don't have to worry about finding it.

A. Okay.

Q. The collection rates are selected numbers. They're not calculated for each year using a mathematical formula, correct?

A. No. I mean, there are -- there is a calculation that underpins these numbers, and so I had to select inputs that -- this is true. I had to select inputs that feed into this, and then they were calculated.

Q. What's the mathematical formula that you used to calculate the collection rates for each year?

A. What kind of information or detail are you

looking for?
Q. Well, you're just said they're calculated numbers. I want to know the mathematical formula. What did you add up or multiply to get to the collection rate for each year?
A. So each of our tax bases, residential, commercial, industrial, and there's real and personal property, and then there's utility personal property. So for each of those different tax bases, you have taxable value, and then you have -- you multiply that by the tax rate, and you get the tax levy.
And then you have to say well, what percent is going to be collected on time for each of the tax bases. So the formula is assign a collection rate for each tax base and multiply the collection rate times the tax levy and then add those and then add in the net -- add in the Wayne County net revolving fund payments, and then you add that in. And then --
Q. I'm not asking --
MR. STEWART: Don't interrupt her answer.
BY MR. SMITH:
Q. I'm not asking for a calculation of the property tax revenue.



MR. STEWART: Finish your answer. He's not allowed to interrupt you.
THE WITNESS: So you have tax revenue, and if you divide tax revenue by total tax levy, that gives you the collection rate that's shown here. That's the mathematical formula.
BY MR. SMITH:
Q. Who prepared this spreadsheet, do you know?
A. I'm not certain who did this one.
Q. With the reinvestment scenario, the collection rates that you used there, those were not calculated values. It looks like they're all the same; is that correct? They differ some, but --
A. They do differ, so General City with the reinvestment scenario, the collection rate is higher than the without.
Q. And the values you used for collection rates in the with reinvestment scenario were not calculated values. They're numbers you selected, correct?
A. They're calculated values in the same way that the other ones were where in this case, I modified the individual non-delinquent collection



rates for each of the tax bases, and then this is the output of that same calculation I described a minute ago.
Q. So can you tell me why the collection rate is 87 percent for, it looks like, 2020, 2021, 2022, 2023?
A. So again, here, important sort of point with forecasts is when the reappraisal study we have hitting the tax bills, and that's in fiscal year 2020, calendar year I guess 2019, and in this case, just like in the other forecast, there's an improvement to the collection rate, and it's being driven where certain people who weren't paying their property taxes decide to start paying them, and in here, looking at the higher percentage of residential taxpayers start to pay their property taxes.
Q. The improvement in collections you assumed in the reinvestment scenario is not based on any study or data, correct?
A. The improvement in residential tax collections after the appraisal is what you're asking?
Q. Yeah. It's not based on any study or data, correct?



A. So I had conversations with the City to help think about what might be realistic around it.
Q. And nobody from the City provided you any study or data supporting the improvement in the collection rate you assume for the reinvestment scenario, correct?
(Document marked No. 19)
A. Nobody provided any study or data to me.
Q. Let me hand you what's being marked as Exhibit 2 or Exhibit 19 rather. This is another spreadsheet. Let me know if you recognize this one.
A. Yeah.
Q. Do you know who prepared this spreadsheet?
A. It looks like mine.
Q. Do you know when you prepared that spreadsheet?
A. I don't know when this was from.
Q. What was the purpose of the spreadsheet?
A. I pulled historical taxable value, state equalized value information for the City of Detroit and the State of Michigan.
Q. And halfway down the page, there's a line, Case-Shiller change. Do you see that?
A. I do.
Q. What's the -- why did you consider it

useful to look at the history of the Case-Shiller Index?
A. So the Case-Shiller Index shows what is happening in the housing market for home sales, and so I wanted to see what trends the Case-Shiller Index was -- was showing and compare it to residential state equalized value and taxable value.
Q. And why did you want to do that?
A. I wanted to see if -- I wanted to see how similar or dissimilar they were.
Q. And were they similar or dissimilar?
A. They do not match.
Q. Which ones are higher, or how don't they match?
A. So if you look at the state equalized value in Detroit, the growth rates that are positive in certain years are higher than the Case-Shiller Index in most years and -- well, not every year, I guess, so for some of them. And then the Case-Shiller Index is more negative in some years, less negative in others, so they're different.
Q. In 2012, you have a 4 percent increase for the Case-Shiller Index. Do you see that?



A. I do.
Q. Did you ever update any of the numbers in this spreadsheet beyond 2012?
A. Yes, I did.
Q. Did you prepare another spreadsheet that's more up-to-date than this one or not?
A. I have 2013 data in the spreadsheet now, and as we talked about, I pulled -- I did look at Case-Shiller information part of it for 2014.
Q. And Case-Shiller continues to increase in 2013 and 2014, correct?
A. That's right.
Q. And the four numbers that are in the rightmost column, those percentages, what are those?
A. I don't know. I mean, I calculated some percentage change. I don't know what years, though.
Q. I mean, what were you trying to calculate there? What are the percentage changes representing?
A. So I was looking at the change in state equalized value during some period.
Q. Okay. Are all four of those numbers changes in state equalized value?



A. I would have to go check my formula. I don't know.
Q. Okay.
A. I mean, I could --
Q. Why were you calculating those numbers?
A. I'm guessing I -- so throughout the analysis, I wanted to see what was happening to state equalized value in Detroit, so I calculated multiple percentage changes for various times.
Q. Why did you want to know what was happening with state equalized value in Detroit?
A. So state equalized value in Detroit is equal to the assessed values, and as we've talked about, I wanted to see if the change in assessed values, how it was mimicking what was happening in the market, so I would calculate to see what change was happening to assessed values and compare it to market trends.
Q. Okay. And did you find that assessed values generally did not track market trends or that they did track market trends?
A. So what you'll see, and this is well-known, is that assessed values lag the market, so it takes a couple years for either direction for assessments to follow the market.



Q. So if housing prices are increasing currently, you would expect that a few years in the future assessed values would increase, correct?
A. Other things equal, if the home prices are going up, you would -- you would -- in a normal market, you would expect assessments to go up. It depends on where -- for each house how it's being assessed whether the market is above or below the assessment. It really depends on --
Q. But in aggregate --
MR. STEWART: Did you finish your answer, Ms. Sallee?
THE WITNESS: I did. Thank you.
BY MR. SMITH:
Q. In aggregate, if the home price index like the Case-Shiller Index is increasing, you would expect that within a few years, that would be reflected in assessed values, and assessed values would increase, correct?
MR. ALBERTS: Objection.
THE WITNESS: The problem why I don't want to say yes to that is that Detroit is in this period where they're reducing assessments, so even though you could -- even though you're seeing this positive increase in home prices, if you have a

house that's overassessed, you could have the situation where you're seeing this trend in the home prices and yet, the assessment on the house is lowered. So I don't want to say -- Detroit is an unusual situation for --
BY MR. SMITH:
Q. Historic --
MR. STEWART: Did you finish your answer?
THE WITNESS: I didn't. So where home prices have collapsed in such a way that you're seeing this unusual situation that really the system isn't designed to deal with.
BY MR. SMITH:
Q. Typically after an increase in -- how many years does it take for an increase in home prices to result in an increase in assessed values?
A. For Detroit, I don't know.
Q. Did you look at that at all?
A. What do you mean by did I look at it?
Q. In the data, did you look at how long it takes for an increase in home prices to translate into an increase in assessed values?
A. So there are general trends that can be observed. So you can see during the 2000s where you can see the market will pick back up, and it



usually takes, you know, two to three years before that's fully incorporated in assessments. And that's in a non -- you know, that's in sort of a kind of normal -- I hate to say normal, but that's not -- you know, the Detroit situation is kind of unique, and so I hate to say anything about Detroit right now because it doesn't mimic what's happened perfectly in the past.
Q. But you've used assessed -- you've looked at the data for assessed values in Detroit, correct?
A. That's right.
Q. And you looked at the Case-Shiller and other housing price indices for Detroit, correct?
A. I have.
Q. And based on your review, when there's an increase in the housing price index, how long does it take to show up in the assessed values for the data in Detroit that you've looked at?
MR. STEWART: Objection.
THE WITNESS: You know, as I said, typically I would say a couple years, and I don't know if that's -- I'll just say typically a couple years.
BY MR. SMITH:
(Document marked No. 20)
Q. Let me hand you what I've marked as



Exhibit 20. It's another spreadsheet, and you can tell me if you created this spreadsheet. Is that something that you created?
A. Yes.
Q. And why did you prepare that spreadsheet?
A. I wanted to see what was happening in the city of Detroit with existing home sales.
Q. And there's been -- for the most recent period, you looked at, was there a 28.03 percent year-to-year change increase in home sales?
A. So the spreadsheet has a 28.03 percent increase.
Q. And did you ever update this with more recent data?
A. I did.
Q. And has the increase gone up, or do you know what the magnitude of the most recent data shows the increase is?
A. Off the top of my head, I can't tell you.
Q. Okay. You're not -- I mean, is it basically comparable to what the data in this spreadsheet is?
A. I don't remember.
Q. And this is the Detroit realtors data that you relied on for your analysis that shows the



28.03 percent increase in home sales; is that correct?
MR. STEWART: Objection.
THE WITNESS: So the 28.03 is the change in average price of existing home sales, and this is the same type of data that I updated and used in my analysis.
BY MR. SMITH:
Q. Okay. And you said -- it says on this spreadsheet used existing home sales to forecast home prices and estimate uncapped TV. Did you, in fact, do that in forecasting property tax revenue?
A. So one of the analyses that I did was to think about the uncapping of taxable value on homes sell, and so that exercise that I mentioned before was looking at what would the taxable value -- likely the capped value be for homes that were purchased five, 10, 15 years ago in Detroit and what the taxable value would be if those homes sold today. And so I used this data to help do that simulation and that exercise, and that informed my residential taxable value -- part of the residential taxable value growth rate.
Q. Okay. And did you -- how did you take numbers from this spreadsheet, if at all, to do

that?

A. So this information was combined with some other information, and the average price was used to -- so the average price and the number of sales, those two pieces of information were used to model, you know, in a given year what a home purchased so many -- like, I said five, 10, 15 years ago what was the average price of homes sold during those periods, what would be then grown at the rate of inflation, what would be their taxable value and then looking at today, what is the average price of homes being sold in Detroit, and then what's the difference in taxable value when the home sells.

Q. Okay. If you look at the average price in 2006, it was 61,444, and it dropped to 16,068 in 2011. Do you see that?

A. Yes.

Q. What factors explain that drop in average housing during that time period?

A. Specifically, I mean, Detroit, like the rest of the U.S. was in a recession, and so as you -- I can't tell you exactly why homes fell, but you have sort of a poor economy. You have higher unemployment, and you have all those things that lead to people not buying homes.



Q. Do you think it's reasonable to expect that the owner of a home worth 64 or 61,000 in 2006 would sell it for 16,000 five years later?

MR. STEWART: Objection.

THE WITNESS: I would be speculating to answer that.

BY MR. SMITH:

Q. I mean, the fact of the matter is people hold onto their houses if the market price declines, right?

MR. STEWART: Objection.

THE WITNESS: I don't know. Some sell. Some don't.

BY MR. SMITH:

Q. You haven't investigated the extent which people held onto their houses in Detroit during the periods of decline in prices?

A. So the only data that I look at is sales, and you see -- you see sales in certain years higher than others, but you know, 2010, 2011, the number of transactions looking fairly similar to non-recession years, so that's the only piece of information I looked at.

Q. And at the bottom, you say -- you have a reference thinking about losses to taxable base.



Do you see that?

A. I do.

Q. Did you write that?

A. I think this is mine, yes.

Q. Why were you thinking about losses to taxable base?

A. So one of the -- the formula for calculating taxable value on a home is you have their taxable value from the previous year, and you do any additions to the base, losses to the base, and then you would multiple it by the rate of inflation or 5 percent, whichever is less. And so part of residential taxable value is what are their new additions, what we talked about earlier, or losses. And so this was -- so being part of a residential tax base, I thought about it.

Q. Did you think about -- what are the factors that would lead to gains in the taxable base?

A. So if you put an addition on your house, that would be an addition to the tax base. A new house being built would be an addition to the tax base.

Q. And where did you -- did you ever look into the data on those types of additions to the



taxable base?

A. So I looked at the building permit data.

Q. So the increase in building permit data that we saw before would show an increase to the taxable base or be indicative of one?

A. So I used the permit data to help me think about additions to the tax base, and I'll stop there.

Q. How did you use that to think about additions to the tax base?

A. So I pulled the construction costs in Wayne County, and then I apportioned the construction to Wayne County based on its share of taxable value and looked to see then that -- that would be a growth in the residential tax base of 1 percent, which would be a half percent in taxable value. When I say tax base, I meant to say it would be a growth of -- well, so the market value would be a growth equal to 1 percent. The taxable value would be half a percent, so that helped me think about well, what new construction activity is happening and what addition to the tax base helped me think through my growth rate.

Q. You have an assumed reduction in population in 2013 compared to 2012 and the effect

on residential taxable value. Do you see that? In that spreadsheet, there's a couple lines on that.
A. Yeah.
Q. And you do a calculation there?
A. Uh-huh.
Q. And the calculation assumes that there's a linear relationship between population decline and residential taxable value; is that correct?
A. In this analysis, yes.
Q. And is that a reasonable assumption in your view?
A. So is that a reasonable assumption? For doing -- you know, doing multiple analyses, that being one of the assumptions for analysis is, I think, fine.
Q. Did you do any testing of your assumption of a linear relationship between population decline and taxable value?
A. I did not do any testing of that assumption.
Q. How did you get the population estimates that were there on this spreadsheet?
A. They should be census numbers.
(Document marked No. 21)
Q. Okay. I'm going to hand you what's been marked as Exhibit 21. You let me know if this is a



spreadsheet that you prepared.
A. Yeah.
Q. And why was this spreadsheet prepared?
A. So before the City provided a breakdown of Renaissance Zone property by type of property, I took the information I had about the total Renaissance Zone property and the non-Renaissance property by property type, and I used that information to make certain assumptions and come up with an estimate of Renaissance Zone property by property type.
Q. And did you end up -- did these -- did this spreadsheet end up influencing your property tax value? I mean your property tax forecast.
A. So earlier iterations used some of this analysis, and ultimately the taxable value subject to general operating didn't change. And so property tax revenue -- well, for the first year. So this helped me think about the non-Renaissance Zone tax bases, and then I used some growth rates. But at the end of the day, I had the total Renaissance Zone property amount, which was subtracted from the total taxable value.
So what's subject to general operating didn't change. So in terms of property tax



revenue, this didn't have really any effect.
Q. Okay. Are the notes on the side assumptions that you are making in your analysis?
A. Yes. I mean, this has all been replaced once I got actual data.
(Document marked No. 22)
Q. Okay. Exhibit No. 22, another spreadsheet I'm wondering if you prepared.
A. Yeah, that looks like me.
MR. STEWART: I haven't had a chance to see it yet.
BY MR. SMITH:
Q. And why did you prepare --
MR. STEWART: Hold on. Just a second. I just got this. Don't answer any questions until I've had a chance to see it. Okay. Sorry. Go ahead.
BY MR. SMITH:
Q. Why did you prepare this?
A. It's the building permit data we talked about earlier.
Q. Okay. So this is a mechanism of estimating gains to the property tax base?
A. So I used this to help think about the residential property additions and helping me think about the growth rate for residential property.
Q. Did you update this spreadsheet with data



for 2013 and 2014?
A. I did update the spreadsheet, yes.
Q. And did the data show that permits and construction amounts continued to increase?
A. It did.
Q. And for 2012, there's a 41.2 percent increase for single family. Is that construction cost?
A. Yes.
Q. And then for -- there's a 40.5 percent increase for total buildings construction costs for 2012, correct?
A. Correct.
Q. Would it be fair to say there's a significant increase in construction in Wayne County based on the data that you've analyzed?
MR. STEWART: Objection.
THE WITNESS: There is an increase in Wayne County based on this data.
BY MR. SMITH:
Q. Why do you think there is an increase in the -- in construction in Wayne County in the last few years?
A. I don't know. I'd have to speculate.
Q. Well, you haven't investigated into the

reasons that there's increased construction activity?
A. So I haven't looked into the construction activity in Wayne County as a whole. I haven't been charged to do that, so no.
Q. Did you ask anybody at the City about new construction in the city of Detroit?
A. No.
Q. So you didn't investigate to find out whether construction is increasing in the city in recent years, correct?
A. I did not ask the City if construction had been increasing.
Q. You didn't ask the City for information about how many permits the City had been issuing for new construction?
A. I did not receive that data, no.
(Document marked No. 23)
Q. I'm going to hand you Exhibit No. 23. Let me know if this is a spreadsheet that you created.
A. Yes.
Q. Why did you create that spreadsheet?
A. It's the Case-Shiller Index.
Q. And did that Case-Shiller Index data influence your property tax revenue forecast?
A. I don't know what you mean by influence.



It was something that I looked at in forming my opinion,
Q. And did you ever update this spreadsheet?
A. Yes.
(Document marked No. 24)
Q. I'm going to hand you Exhibit 24, which are some summaries that were produced regarding the property tax forecast. Do you know who created these?
A. Yes. Yes, I do.
Q. Who prepared these?
A. So for some of them, I wrote them, and other ones Bob and Katie wrote them.
Q. Which ones did you write?
A. So I wrote Page 1, and I wrote the next one, the next two-page document. I wrote portions of the following document.
Q. One entitled Detroit Revenue Extrapolation?
A. Right. I wrote some portions of that, and I wrote some portions of the long-term projections discussion item. And I didn't write any of the estimation of individual income taxes, and I wrote portions of the last two pages.
Q. Okay. If an owner of a property has been delinquent in payment of taxes, does that mean that



no taxes will ever be collected from the owner or subsequent owners of that property?
A. Are you referencing something here?
Q. No. I'm just asking you a question. I'm done with that document for now.
A. Okay. Can you say your question one more time?
Q. If the owner of a property is for some period of time delinquent in paying taxes, does that mean that no taxes will ever again be collected from that owner or subsequent owners of the property?
A. If you're delinquent for some time, that doesn't necessarily mean that you'll never have taxes on that property or from that owner.
Q. Do you agree that it's more likely that delinquent taxpayers own parcels of lesser value than those taxpayers who are actually paying their taxes?
MR. STEWART: Objection.
THE WITNESS: I don't understand the question.
BY MR. SMITH:
Q. Which -- do you agree that it's more likely that people who are not paying their property taxes own lower-value properties than



those who are paying their property taxes?
A. I don't know.
Q. In the document that I had handed you, the last exhibit, the first document, Changes to Detroit Property Tax Forecast, you mention conversations with the City. Who would you have been having conversations with that are reflected in this document?
A. So this one doesn't have a date on it, but I had conversations with Alvin Horhn, Gary Evanko, Michael Jameson, Linda Beatty. I think that's it.
Q. Do you know when this document -- the first page was created?
A. You know, I'm not sure. It would have been sometime between, you know, between the -- so we did an update in February, so it would have been around that February 2014 update.
Q. Okay. And then the next document entitled Changes to Detroit Property Tax Forecast Since June 2013 mentions you had discussions with the COD assessor's office. Do you see that?
A. Yes.
Q. Would those be the same people that you were having discussions with?
A. Yes. So here by February, I had had a

couple conversations with Alvin Horhn, and I had had at least one conversation with Gary, and he had provided some data to me.
Q. Do you have any familiarity with the methods used by municipalities to estimate the revenue generated by a tax increase?
A. Do you have a specific example?
Q. Well, I'm wondering if you have any knowledge about what methodology municipalities use to estimate revenue from a tax increase?
A. I don't know what -- I think it would vary from city to city, so I don't know what a particular city would do.
Q. Okay. But do you know -- are you familiar with the method -- the various methods that cities can use to estimate increases in revenue from a tax increase?
A. So there are, I would say, accepted methods of estimating tax changes and its revenue impacts.
Q. And what would be the accepted methods of estimating increased revenue from a tax increase?
A. So conceptually you would want to understand how -- and you said a tax increase?
Q. Yeah.



A. So you would want to understand what is the -- so what does the tax increase mean? Is it a tax rate increase? Is it an addition to the tax base? So you would have to think through how is your tax base going to change by whatever is being proposed to raise revenue. And so you could have -- with the tax increase, you could have any number of things. You could have an addition to the tax base making it bigger. You could have -- if you increased the tax rate, you would have to think about well, does that increase in the tax rate, how does that affect the tax base.
There's a number of things. You know, you would want to parse out sort of changes that affect your tax calculation, which would typically be your rate and your tax base.
Q. And are there -- you said there are a number of accepted methodologies for doing that type of analysis?
A. I would say I don't know a number of, but there is a way that you would go about doing it, which is you could set up your analysis of here's your tax change and thinking through all factors that affect, you know, the tax base, and that would be an accepted way of doing it. You could use one



of the software tools we talked about earlier like REMI to help you model changes to the tax base given a tax policy change, and that would be an accepted way of doing it.
Q. Would another method be IMPLAN or --
A. IMPLAN doesn't work for tax changes like that.
Q. If you were asked to forecast the rate of compliance with a tax, how would you go about that, or what factors would you consider?
A. So for rate of compliance, thinking about compliance with the tax change, you would want to think about so what is the -- what is the tax base being affected. And there's literature on how compliance differs across tax bases, and so I would consult the literature and also the historical performance to use that as a guide as to what the compliance is and then what, obviously, is happening in terms of whether you're raising or lowering taxes. And there's literature on that as well, and you could consult that to help you think through what happens with compliance whether you're raising or lowering taxes.
(Document marked No. 25)
Q. Why don't I hand you what I'm going to



mark as Exhibit No. 25. It's some data from the Michigan Realtors Association on residential home sales.
Is this the type of data that you looked at in your analysis?
A. Yes.
Q. And for Detroit Board of Realtors, they've got a 14 to 13 year-to-date percent change of 42.13 percent in home prices. Do you see that?
A. Yes.
Q. So home prices based on the Detroit realtor data went up 42.13 percent in 2014 so far compared with the prior year. Is that accurate?
A. You said the year-to-date average price changed?
Q. Yeah.
A. Yeah, that's right.
Q. And you've updated your spreadsheets with data such as this; is that correct?
A. Uh-huh.
Q. Okay. But you didn't use the updated data in your actual analysis or calculations; is that correct?
A. So I used the data -- every time we updated, I looked to see if growth rates needed to be updated, so it's one of the things that I would

look at in doing updates.
Q. Why have home prices increase by 42 percent in Detroit thus far in 2014 compared to 2013?
A. I don't know.
Q. Do you know any of the factors that contributed to that increase?
A. I don't know why average home price sales have gone up that much. I don't know.
Q. Let me ask you this. I mean, can you identify any other cities that have had comparable growth in average home prices in 2014 to Detroit?
A. I haven't specifically looked at other cities, so I don't know.
Q. Historically in Detroit, has there ever been a period of time where home prices have increased by as much as 40 percent?
A. The period I looked at, there was not. I haven't -- I would have to speculate. I don't know before the periods I looked at.
Q. What period did you look at?
A. So I had consistent data from 2001 onward.
Q. Okay. So the increase that we're seeing in 2014 in average home prices is greater than any of the increases that occurred at least since 2001



in Detroit; is that correct?
A. I think that's correct.
(Document marked No. 26)
Q. Let me ask you about what I'll mark as Exhibit 26. Is this the type of data that you got for your building permit spreadsheet?
A. Yes.
Q. Okay. And so this has some updated numbers just up to May 2014 of -- I guess there's a total of $68 million in construction cost for permits that have been issued so far; is that correct?
A. That looks to be correct, yes.
Q. And is that -- do you know if that's an increase compared to prior periods or not?
A. When I looked at it, the -- so the year-to-year change in the last few years had been positive.
Q. You have mentioned that you had reviewed or at least up to about Page 75 of Kopacz's report. I'm going to hand you a copy of that. Is that a copy of the report that you were talking about?
A. Let me look.
MR. STEWART: What exhibit number on this one?
MR. SMITH: 27.
(Document marked No. 27)
THE WITNESS: Yes, this looks to be the report.



BY MR. SMITH:
Q. On Page 15 of the report at the top --
A. Okay.
Q. -- Ms. Kopacz says that financial modeling is a highly subjective undertaking that is affected by the assumptions made and the professional biases of the analysts developing the model.
Do you agree with that statement?
A. I may not say highly. I think in financial modeling, there's some art in addition to science to it, so...
Q. Do you agree the financial modeling is a subjective undertaking that is affected by the assumptions made and the professional biases of analysts developing the model?
A. I would agree with that.
Q. And you would agree that financial modeling is both a science and an art?
A. I do. I do agree with that.
Q. Over on Page 25, there's a section called the plan of adjustment.
A. Yeah.
Q. And she says even after many years of practice with dysfunctional, insolvent, operationally troubled enterprises, I was confused



by the City's projections in POA. Section E of this report provides detail on how the projections in our eyes are structured. Suffice it to say that the 10-year projections, the 10-year, 40-year projections and the restructuring and reinvestment initiatives form an unusual construct for a financial plan for an enterprise attempting to emerge from bankruptcy. Do you see that?
A. I do.
Q. You haven't ever participated in constructing financial projections that are similar to the ones that have been constructed in the Detroit case, have you?
A. I have not been involved in putting together -- what was the word you used?
Q. Projections similar to the type that are in this Detroit bankruptcy.
A. I have not been responsible for putting together this exact kind of format. That's true.
Q. Have you ever been involved in any construction of projections where you had to rely on other experts for their own projections such as the reinvestment projections that were given to you from Conway MacKenzie?
A. So in work that I've done in looking at

the projections of, say, a particular project, I would often rely on information provided by a third party such as the planned construction costs for the project. So they would forecast how that would look like over that period of time, so I would have to take somebody else's work and use it, which is a little bit, I guess, similar to this situation where we were looking at information projections prepared by another group or expert.
Q. Page 27, the last paragraph, the second sentence says the projections in the POA have not been harmonized with the City's budget that was passed by the City Council on June 5, 2014.
A. I see that.
Q. Were you aware that the projections that Ernst & Young had done had not been harmonized with the City budget?
A. I was not aware of that until I read this part of the report.
Q. Have you looked at the budget's projections at all in doing your work?
A. I looked at past City budgets. I have not looked at this June 5, 2014 budget.
Q. On Page 52, there's an analysis here, the sensitivity analysis for the revenue sharing. Do



you see that?
A. Yes.
Q. And she says at the end of the first paragraph the statutory payment of 5 percent change in the allocation would have a cumulative impact of 70 million to the General Fund during the fiscal year 2014-2023 period. Do you see that?
A. Yes, I do see that.
Q. In your view, is this sensitivity analysis that Ms. Kopacz has provided showing a 5 percent change in the statutory revenue sharing allocation would have a $70 million impact over the 10-year period, is that reasonable?
A. Yeah, it is reasonable.
Q. Then underneath the graph or the chart she says the City of Detroit reasonable saw its state's revenue sharing decreased significantly from a combined annual total of 267 million in fiscal year 2009 to as low as 173 million in fiscal year 2012.
Is that consistent with your understanding?
A. I don't have my spreadsheet in front of me, but that seems about right.
Q. Over on Page 61, at the bottom, it says for the without-RRIs scenario, every 1 percent



change in the 10-year assumption will result in approximately 21 million change in collected -- oh, that's income tax revenue. Never mind.
MR. STEWART: Sorry. Where are we?
MR. SMITH: Never mind. We're in a place that's not relevant for Ms. Sallee.
BY MR. SMITH:
Q. Do you have any plans to reserve -- to read the rest of the Kopacz report or not?
A. I guess I haven't thought about it. I don't know.
Q. Do you have any plans to do any additional work before you testify?
A. I will probably do some preparation before I testify, I'm guessing.
Q. But any additional changes to your forecast, are you planning those before you testify?
A. No, I'm not.
Q. In the historical data that you've looked at, has the City always been in poor financial shape?
A. I was not asked to look at the City's financial position in the past, and so I didn't do that. So I don't know.



(Document marked No. 28)
Q. I'm going to hand you what's been marked as Exhibit 28, which is an article entitled How Michigan's Revenue Sharing Raid Cost Communities Billions for Local Services. And in the third paragraph, it says over the past decade, lawmakers and governors from both political parties have used some 6.2 billion in sales tax collections to fill state budget holes rather than fulfill a statutory revenue sharing promise to local communities according to the Michigan Municipal League, which released a city-by-city analysis earlier this month.
Is that consistent with your understanding?
A. So it is true that the state has not in the past allocated what statute would say is full funding to municipalities. It hasn't done that.
Q. And the amount for -- in total, is it a reasonable to say around $6 billion over the last decade?
A. I don't know where that number is coming from or how they've calculated it, so I don't know if that's reasonable.
Q. The last paragraph says Detroit, which filed for bankruptcy protection last year, missed

out on 732 million between 2003 and 2013 for the report.
Does that sound like a reasonable estimate in the amount of revenue sharing that Detroit has lost as a result of the state's failure to fully fund revenue sharing during that period?
MR. STEWART: Objection.
THE WITNESS: So I would have to perform an analysis to see and actually look at the data before I would say whether that number was reasonable.
BY MR. SMITH:
Q. I mean, you know it's been -- Detroit has lost out on hundreds of millions of dollars over the last decade as a result of the state not fully funding revenue sharing, correct?
A. So the state I know has not fully funded, and I don't know at this moment exactly what the impact on Detroit is -- has been.
Q. Well, you know that it would be at least hundreds of millions of dollars, correct?
MR. ALBERTS: Objection.
THE WITNESS: I would want to do the analysis before I would say that.



BY MR. SMITH:
Q. I mean, just from your knowledge of what the sums have been for revenue sharing, it's not -- all you have to do is add up the amount of the cuts. Would that be fair?
MR. STEWART: Objection.
THE WITNESS: But I don't know what the year-end cuts are. I would want to see the data.
BY MR. SMITH:
Q. So nobody ever -- you never tried to figure out how much Detroit has lost out from the state's failure to fully revenue sharing; is that correct?
A. So in the work that I've done, I usually look to see what actual revenues the City has received, and so that's what I looked at, not the difference between state fully funding and what they received. I didn't look at that.
Q. The state's never changed the statute that sets out the full funding level for revenue sharing, correct?
A. My understanding is that the statute -- so for statutory payments, part of it expired. I think the statute still exists. I'm going off memory. It's being ignored is what I've been told.



Q. Okay. So the lawmakers are ignoring the statute that sets the full funding levels for revenue sharing; is that fair?
A. So I know part of it is expired, the formula, so I can't tell you -- I can't remember right now the exact relationship. What I do know is the legislature boilerplate language is allocating the EVIP money, and that's done each budget cycle.
Q. And you know that a lot of municipalities are upset by the cuts to the revenue sharing payments by the State of Michigan, correct?
A. So I've had conversations at my old job and through this project with Michigan Municipal League or others, and over the past decade through my conversations, municipalities have been upset that they've not received more revenue sharing money.
Q. And did you work with the Municipal -- what is it, the Michigan Municipal League in your prior job?
A. I -- they were -- well, so work with, yes, in the sense that in certain projects, I would talk with representatives from the Michigan Municipal League. We never had any paid project from them or



anything.
Q. Is the Michigan Municipal League a reliable source of information on payments that have been made to the cities in Michigan?
A. I don't know.
(Document marked No. 29)
Q. Do you know Anthony Minghine? I'll just hand you Exhibit 29. Do you know the author of this paper?
A. I do not know Anthony Minghine.
Q. Would it be fair to say that you don't -- you haven't done the work necessary to dispute the calculation of the sums that have been lost to Detroit or other cities as a result of not fully funding revenue sharing that the Michigan Municipal League has done, correct?
MR. STEWART: Objection.
THE WITNESS: I have not done an analysis of full funding of the statutory payment in the past and what cities have actually received in Michigan.
BY MR. SMITH:
Q. So you don't have any basis to dispute the Michigan Municipal League's conclusions regarding the amount that revenue sharing has been cut to Detroit or the other cities, correct?
A. I have not done the analysis, so I would

have to do that before I could comment on whether it was accurate.
Q. And in fact, the revenue sharing cuts are described as a heist in this paper, right?
A. That's what the title says.
Q. I mean, there's a lot of widespread publicity about the problems that the cuts in revenue sharing have had for Michigan cities, correct?
A. It is a topic in news articles and things that I've read.
Q. And isn't it true that the state has cut the revenue sharing payments and used the money to balance the state budget?
A. So Michigan's financial -- fiscal situation was pretty dire after the 2001 recession, and so one form -- one way of achieving a balanced budget was to not allocate full funding for municipal revenue sharing.
Q. But now Michigan has a balanced budget, the state, correct?
A. Well, they always have a balanced budget. They're legally required to each year.
Q. Well, if you look at this article, the last sentence on the page or last couple sentences



say the state is now in an enviable position, revenues that exceeded expectations. It is posting large surpluses, but has failed to take steps to restore local funding. Do you see that?
A. I do.
Q. And are you aware that the state in recent years has been posting large surpluses?
A. So large, I don't know about large, so you would have to say well, what do you mean by large. The state, the last two years they did have a -- their revenues exceeded their planned budgeted expenses, so they were running a surplus in that sense.
Q. And do you know how much those surpluses were for the last two years?
A. Off the top of my head, no.
Q. Would it be fair to say that the fact the state is running surpluses has made the cities even more upset that the state isn't increasing revenue sharing payments?
MR. STEWART: Objection.
THE WITNESS: I wouldn't know. I haven't talked to anyone, so I don't know how they're feeling.



BY MR. SMITH:
Q. How about in Flint, Michigan, do you think they're upset that the state is running surpluses while they're not paying them the full amount of revenue sharing?
A. I did not ask them that question, so I don't know.
Q. What does the state do with all the surplus money?
A. I don't -- I haven't looked to see how they've used the money. I don't know.
Q. Do you know why the governor's budget ended up including the increase in revenue sharing that you've incorporated into your most recent forecast?
A. I don't know why the legislature passed the increase. I don't know why.
Q. Do you agree that you can't tell me what the property tax rate is going to be over the next 10 years?
A. I -- so property tax rates meaning all the different types of millages, I don't know what all the different types of millages are going to be over the next 10 years.
Q. Can you -- are you able to testify about



the funds that the City expects to receive from the State of Michigan in the future?
A. Not all funds, so the only thing that I've said that I will speak about is the state revenue sharing.
Q. That's the only source of funds you can talk about?
A. That's the only source of funds I'm going to talk about, yeah.
Q. And in terms of what the actual amounts that are going to be given to the state, not the forecasts in your forecast, have you done any investigation to find out what, if anything, the City knows about actual sources of funds that might be provided by the state over the next 10 years?
A. Okay. So I got lost in that. What's your question?
Q. Do you know who from the City deals with the state on revenue sharing?
A. No, I don't know.
Q. And so would it be fair to say that you haven't talked to the people at the City to find out what, you know, actually might happen with state revenue sharing over the next 10 years?
A. So I haven't talked with anyone at the

City about state revenue sharing. I'm not sure how that would mean -- how the City would be affecting state revenue sharing. I mean, there's two parts of it. The constitutional piece, I can't see how City officials can affect that directly. And the EVIP portion is being decided by the legislature.
Q. Well, I'm just wondering not that they can affect it, but have you asked people at the City to give you what information they know about what might actually happen to revenue sharing over the next 10 years?
A. I have not had a conversation with anyone at the City about what they think might happen to revenue sharing in the next 10 years.
Q. Have had you a conversation with anyone at the state about what might happen with revenue sharing over the next 10 years?
A. Yes.
Q. Who did you have a conversation with?
A. Well, when you say state, I had a conversation -- I also had a conversation with Jay Wortley at Treasury, and I had a conversation -- several conversations with Jay Wortley, several conversations with Jim Stansell at House Fiscal Agency.



Q. And what did they tell you?
A. So Jim Stansell's pretty pessimistic about EVIP, thinks it's going to be eliminated next year, and there's some -- he thinks some program will be put in its place, but he doesn't see it as -- I asked him about our assumption keeping EVIP constant in our forecast, and he agreed with that. There's that -- it's very variable.
And then I talked to Jay Wortley when I received the state forecast of revenue sharing, the constitutional portion, and talked to him about growth rates in sales tax revenue. And so that's, I think, what we talked about there.
Q. Did he believe that sales tax revenue would be increasing over the next 10 years?
A. He did.
Q. And did he give you any numbers about how much he believes the sales tax revenue might increase over the next 10 years for Michigan?
A. So we used his -- the projections from his office for the 10-year forecast for constitutional revenue sharing.
Q. Did he identify any factors that might increase the sales tax revenues above what he's anticipated in the written document you're



referring to?
MR. STEWART: Could I have the question read back, please.
(Whereupon, the record was read as requested.)
MR. STEWART: Objection.
THE WITNESS: He only -- we only talked about his projections and what he thought was reasonable for the sales tax and nothing beyond that.
BY MR. SMITH:
Q. Why is the EVIP going to be eliminated potentially next year?
A. In my conversation with Jim Stansell, that came up, and this is just his opinion. He's not a legislator. He thought that people in the legislature were not really in favor of the program and that there had been some statements about it saying that they wanted to change the program for something else.
Q. And what is -- did he tell you what he anticipates might be substituted for EVIP?
A. He didn't know.
Q. So right now the only person you talked to suggested that the EVIP program that you assume is going to continue for the next 10 years is -- may



be eliminated next year, correct?
A. So he's responsible for understanding those kinds of programs. It's his duty at the House Fiscal, and he thought that program might be eliminated. The money associated with it would still be distributed in some ways to the cities, villages and townships.
Q. Did the state official, though, you spoke with give you any idea about whether there would be increases or decreases in revenue sharing at any point in time?
A. He didn't comment on revenue sharing as a whole, increases or decreases, no.
Q. Right now the information you have, though, is -- I mean, the best information you have is EVIP is likely to be eliminated, perhaps, within about a year; is that correct?
A. So that was one piece of information I received, and you know, we've decided as others like Michigan Treasury to hold that funding for Detroit constant in our forecast given that it is uncertain. That program could be eliminated. It could be replaced with something else. And our most reasonable assumption is that that sort of type -- that amount of money would likely go to

Detroit in our period.
Q. Has anybody identified what EVIP would be replaced with if it's eliminated?
A. No.
Q. And is one reason that EVIP is going to be replaced is that people don't like jumping through all the hoops and requirements that it requires the cities to do in order to calculate how much money they're going to get?
MR. STEWART: Objection.
THE WITNESS: Well, so the legislators are the ones that control its destiny, and they seem to like that sort of thing.
BY MR. SMITH:
Q. I'm just trying to get an idea of why this state official you talked to thinks EVIP is going to be eliminated within a year.
A. He said there had been some statements on the record by different -- so the Speaker of the House, people in the senate, and they were saying they didn't care for the program. So I think that's what he was basing his decision on, and so that was -- in our conversation came up. And so he thought it would be replaced. There would be money going to cities, villages and townships. It just



probably wouldn't be under EVIP for much longer.
Q. Is it accurate that you're not the person to testify or you can't testify about the population levels that will be in Detroit for each year during the 10-year and 40-year forecast?
A. So a clarifying question. So population, I think I was identified as the person who can speak about those.
Q. Yeah, but you didn't do the actual forecast of population levels, though, did you for the Ernst & Young forecast?
A. So the population levels up until 2029 are SEMCOG forecasts, and then post 2029 I put those together.
Q. Did you ever talk to anybody at the City about what they anticipate population levels will be in the city?
A. Let me think. I might have. Some of the earlier conversations we talked about things like that. I don't know if I had a -- I don't know actually if I had a conversation with anyone at the City.
Q. So it would be fair to say you can't tell me what the City's view is regarding what the population levels are going to be for the next 10



or 40 years, correct?
MR. STEWART: Objection.
THE WITNESS: I don't know what the City thinks they're going to be for the next 10 or 40 years.
BY MR. SMITH:
Q. Have you ever forecasted population levels before?
A. Yes.
Q. In what context did you do that?
A. For specific projects that I worked on in the past for public and private clients.
Q. And did you ever -- have you ever forecasted population levels for a city before?
A. No, I don't think so. Is that right? Yeah I don't think I have.
MR. STEWART: We've been on the record about 90 minutes.
MR. SMITH: Okay. Let's take a break.
THE VIDEOGRAPHER: Off the record. The time is 4:46 p.m.
(Whereupon, a short break was taken.)
THE VIDEOGRAPHER: We are back on the record. The time is 4:55 p.m.



BY MR. SMITH:
Q. Ms. Sallee, would you like to know if people from the City believe that the Ernst & Young projections were unrealistic?
A. As a matter of just intellectual curiosity, yeah, I would be interested to know that.
Q. Well, wouldn't you also want to know that for purposes of making sure that your forecasts were done in a reliable way?
A. So the City's opinion doesn't mean something is reliable or not. I would be interested in knowing what they thought.
Q. Why would you want to know if the City thought that the forecasts were unrealistic?
A. As I said earlier, I would be surprised by that since I've had conversations with the City for the things I've looked at and received data from them.
Q. Are your property tax calculations assuming that certain activities by the City will occur over time?
A. What do you mean?
Q. Well, I guess collections would be one activity.

A. So my forecast assumes that the City does collect property tax.
Q. I mean, do you know how property tax collection is funded in the city of Detroit?
A. Do I know how property tax collections are funded in the city of Detroit to the physical logistical collections? No, I don't.
(Document marked No. 30)
Q. Let me hand you what's been marked as Exhibit 30, and you can let me know if you've seen this letter before.
A. I don't think I have seen this letter.
Q. Okay. The first -- it's talking about the projections that you've contributed to in this case, correct?
A. Let me read. Hold on. Okay. What's your question?
Q. This letter relates to the forecasting project that you've been involved in for the City of Detroit?
A. It appears, yes.
Q. And it says regarding the model, we wish to make clear the following: Number one, the model was constructed pursuant to the terms of the engagement. Is that your understanding?
A. So I never saw the statement of work or



the engagements, so I don't know the terms is what I'm saying.
Q. Okay. Do you have an understanding about whether the forecasting model that you've helped to create is constructed pursuant to the terms of an engagement agreement with the City?
A. The things that I know are that we had an engagement or have an engagement with the City, and I was brought on to do revenue forecasting. I don't know -- I haven't seen any of the documents pertaining to the engagement or the statement of work.
Q. Okay. It says the terms of the engagement do not require EY to update the model for events occurring subsequent to the production of the final version of the model which accompanies this letter. Do you see that statement?
A. I do.
Q. Is it your understanding that Ernst & Young is not going to be doing any further updating of the forecasting model?
A. That's what this says. I hadn't been told anything.
Q. The next statement says the City provided Ernst & Young with historical, projected and/or



forecast data. Assumptions for inclusion in the model and all such data assumptions are the responsibility of the City.
Is that consistent with your understanding?
A. So in the piece that pertains to me, the City did provide me with historical data, and we had conversations. And then this says it's the responsibility of the City. I don't have a comment on that.
Q. It says Ernst & Young accepts no responsibility to any third party in respect of the model or the results it generates. Do you agree with that statement?
A. It's consistent with the disclaimers elsewhere you had me read.
Q. And do you agree with that statement?
A. I agree with that statement.
(Document marked No. 31)
Q. Let me hand you what I've marked as Exhibit 31. Is this the Case-Shiller data that you had relied on in doing your forecast?
A. This looks like, yes, the Case-Shiller from FRED.
(Document marked No. 32)
Q. I'm going to hand you what's been marked as Exhibit 32. Can you identify this document for



me?
A. Yes. The City provides this report of -- these are non-delinquent property tax collections by type of property.
Q. Okay. And is it fair to say you didn't verify the accuracy or reliability of this information?
A. I had conversations with the City about what it meant, and I took efforts to reconcile this information with the collection rates that are reported in the audited comprehensive annual financial statement.
Q. Did you find discrepancies between the collection rates you were provided by the City and the audited statements?
A. So this is non-delinquent property tax collections by property type, and what's reported in the CAFR is property tax collections divided by tax levy. And so the CAFR collection rate is a different -- a slightly different measure than what's being presented here, and so I took steps to make sure I understood why they were different.
(Document marked No. 33)
Q. And -- okay. I'm going to hand you what I've marked as Exhibit 33, a document entitled Estimating Methodology Detroit Tax Forecast.

A. Okay.
Q. If you look on the second page of this document, at the bottom, it says Jay Wortley provided updated state aid spreadsheet to be consistent with any change in the state May sales tax forecast. Do you see that?
A. Uh-huh.
Q. And then it says Jay's estimates are about 30 percent lower than the MSU economists' estimates by 2022. Do you see that?
A. I do.
Q. Are you aware of estimates for sales tax revenues that are higher than the estimates that you used?
A. So at the very beginning of the project, we looked at forecasts put together by the MSU economists that's mentioned here, and this says that they are higher than what the state economist, Jay Wortley had put together. That's all I know about that.
Q. I mean, did you write this document?
A. I wrote pieces of it. So I wrote pieces of this along with Bob Cline.
Q. Have you actually seen the estimates from the MSU economists on sales tax revenues that are



different from what you used in your analysis?
A. I don't remember his -- I don't remember his estimates pertaining to funding ground state aid. I can't recall what his analysis said.
Q. Okay. The relevance of the state sales tax revenues is because it can affect the level of state revenue sharing; is that correct?
A. So sales tax revenue funds constitutional revenue sharing, yes.
Q. Do you think that you were provided the MSU estimates, or do you just not remember?
A. So we were provided the MSU estimates, and we were provided those, I want to say, in May of 2013, so over a year ago. And we looked at them and analyzed them then, and I have not looked at them in probably a year.
Q. Do you know whether the MSU economists updated their estimates for sales tax revenue?
A. I have no idea if he's updated them.
Q. Eric Scorsone, was he the MSU economist?
A. He is, yes.
Q. Do you know whether those sales tax revenue estimates were used in the consensus revenue forecasts for the City?
A. I have no idea if -- so let me back up.



When you say consensus revenue estimates for the City, what exactly are you talking about?
Q. Well, do you know that there's a conference where there was a consensus revenue estimate put together for the City?
A. When was that done?
Q. Well, I don't have the exact date, but you know that -- do you know that there's a process where there are consensus revenue estimates for the City that are put together because it's under the financial supervision by the state?
A. Uh-huh. So I know there's a process. I have no idea if Eric Scorsone was involved.
(Document marked No. 34)
Q. I'm going to hand you an exhibit marked Exhibit No. 34. It's entitled State Revenue Sharing Growth Assumptions. In the middle, it says the metro areas accrue after a decade of population decline and --
MR. STEWART: Let me -- I got it. Go ahead. Sorry.
BY MR. SMITH:
Q. And it lists Akron, Cleveland, Detroit, New Orleans, Scranton, Syracuse, Toledo. Do you see that?
A. I do.



Q. And that's the data from that Brookings study; is that correct?
A. That you showed me earlier, yeah.
Q. And would it be fair to say that there are a number of cities that have experienced prolonged periods of population decline, correct?
A. What do you mean by prolonged?
Q. Well, at least a decade of population decline?
A. And you asked about cities?
Q. Yes.
A. So when you looked at the last 30 years, it identified two cities that have had a decade of population decline followed by some growth.
Q. Haven't there been more than -- it says the metro areas accrue after a decade of population decline, and it lists several cities here; is that correct?
A. So in this case, I looked at cities in metro areas where they had a decade or more of declining population, and then they had a decade of population growth overall. So cities that only had population decline aren't identified here.
Q. Okay. But there are a number of cities that have had a decade -- at least a decade of

population decline and then grew after that, correct?
A. So in the sense that there are cities that have had a decade of population decline, there are cities, and then they might have had one or two years of growth, and they're not listed here because that wasn't the criteria that I was looking at.
Q. What was the criteria?
A. So I was looking at did a city or metro area have a decade of decline, and then did they have a decade where they experienced overall population growth so I could think about what a sort of long-run rebound in terms of population might look like and used that to help me in my analysis for Detroit.
Q. And one of the cities that has had a decade of population growth after a decade of population decline is Detroit, correct?
MR. STEWART: Objection.
THE WITNESS: So Detroit as a metro area had a decade of decline, and then they had a decade of growth following it. So the '80s, the metro area declined, so not just Detroit, but suburbs as well, and then it picked up in the following decade.



BY MR. SMITH:
Q. And the Detroit metro area had a long-term population growth after a decade of decline without the kind of restructuring or reinvestment activities that the City is proposing in this case, correct?
A. The Detroit metro area had a decade of good growth in the '90s when the auto industry was doing well.
Q. Okay. And so the Detroit metro area had a period of good growth without any restructuring or reinvestment expenditure by the City or anybody else, correct?
A. During the '90s, I don't know what expenditures the various cities, villages, townships, counties were doing during that period. I don't know.
Q. During the period of growth of the Detroit metropolitan area in the decade of the '90s, you're not aware of any city spending more than a billion dollars in restructuring activities, correct?
A. I haven't looked into it. I don't know.
Q. Would that surprise you?
MR. STEWART: Objection.
THE WITNESS: My understanding is that none of



the municipalities were in bankruptcy during that period.
BY MR. SMITH:
Q. None of the municipalities that experienced a decade of population decline that you've identified ever went into Chapter 9 bankruptcy, correct?
MR. STEWART: Objection.
THE WITNESS: Not that I'm aware of.
BY MR. SMITH:
Q. And you're not aware of any city that's gone into Chapter 9 bankruptcy and said oh, the remedy to our problems is to spend a billion more dollars that we don't have.
MR. STEWART: Objection.
THE WITNESS: I haven't looked at specific bankruptcies elsewhere.
BY MR. SMITH:
Q. Can you identify any other city that has ever been in Chapter 9 bankruptcy?
A. No.
Q. Detroit, though, had this period of growth that you identify in the 1990s, correct?
MR. STEWART: Objection. She said three times it's the metro area, not Detroit. You continue to



mischaracterize her testimony.
MR. SMITH: I'm just looking at the sheet that she has here. It says Detroit. On the document, it says Detroit.
MR. STEWART: It says the metro areas that grew. It says metro area. You're the one who's mischaracterized it again and again. Now stop it.
MR. SMITH: Okay.
BY MR. SMITH:
Q. The Detroit metro areas, it grew in the 1990s, right?
A. The Detroit metro area did grow in the 1990s, yes.
Q. And there are a lot of people that work in the city of Detroit that live in the Detroit metro area, correct?
A. What do you mean by a lot?
Q. Well, I mean, do have any idea how many people live in the Detroit metro area and work in the city of Detroit?
A. Off the top of my head, no.
Q. Certainly there are examples that you've identified of cities that have experienced a decade of population decline and reversed that without any restructuring or reinvestment initiative, correct?

A. So the analysis here, Chicago and Philadelphia, had decades of decline followed by a decade or more of population growth, and I don't know what activities they undertook in terms of reinvestment or restructuring. I don't know what they did.
MR. STEWART: Can you tell us when there's five minutes left.
BY MR. SMITH:
Q. On the second page of this document, you mention conversations with Jim Stansell, correct?
A. Uh-huh.
Q. Did you write this document?
A. I wrote portions of it.
Q. Okay. In this document, you didn't disclose that Jim Stansell had told you that EVIP may be eliminated within a year, correct?
A. This document was written, I believe, in January of 2013, and that conversation with Jim Stansell was after that.
Q. Have you had any conversations with anybody else at the State of Michigan other than Mr. Stansell and Mr. Wortley?
A. I don't think so.
Q. Were they individuals that you had known



before this case or not?
A. They were.
Q. And how did you know them?
A. I had -- so in my previous job, I did mostly work in Michigan. In a number of projects, I was either in meetings with them or obtained data or information from them.
(Document marked No. 35)
Q. Let me hand you what I'm marking as Exhibit 35 and let me know if you created this document.
MR. STEWART: I have two documents here. Is this also --
MR. SMITH: Never mind that one.
MR. STEWART: This is 35? Okay.
BY MR. SMITH:
Q. Did you create that document?
A. Yes.
Q. What's the purpose of that document?
A. Well, so do you want me to talk to about each of them or --
Q. Are these separate spreadsheets doing separate analyses?
A. Yes.
Q. Okay. Got it.
The second page of this document has the



building permits data, and then the third page has the realtor data, and it's not -- it's only going up until 2013 it looks like. Do you see that?
A. Uh-huh.
Q. Is this the most recent version of the spreadsheets you've created?
A. No.
(Document marked No. 36)
Q. I'm going to hand you what I will mark as Exhibit 36, and you can let me know if this is a document that you created.
A. This is not a document I created.
Q. Do you know why this was created?
A. So it says at the bottom prepared by the Office of Revenue and Tax Analysis Michigan Department of Treasury, so this is the analysis from Jay Wortley.
Q. And do you know how more Wortley put together this analysis?
A. Other than just being able to look at his steps here, that's all the information I have.
Q. And did you rely on this analysis in your revenue sharing opinion?
A. I used his projections for the constitutional piece in the 10-year forecast.
Q. When you see for fiscal year 2013, 2014,



2015, he has consensus written underneath there, do you know what that means?
A. I do.
Q. What does it mean?
A. So Michigan has a consensus revenue estimation process, and so these are the sales tax numbers, or sales tax revenue numbers shown here are the consensus estimates.
THE VIDEOGRAPHER: Counsel, we're at the five-minute mark.
MR. STEWART: And I have a couple of questions of my own.
BY MR. SMITH:
Q. Can you explain to me what exactly are the reimbursement mechanisms under the new legislation or that may or may not get passed related to personal property tax?
A. What's your question?
Q. Can you explain to me what the reimbursement mechanisms are under the proposed legislation or measure that would change the personal property tax?
A. So portions -- so there are several different ways that revenue is being replaced. One is a new use tax that's being created that would

allow money through the use tax to then be sent to municipalities that meet certain requirements, and the municipalities themselves would be able to levy a millage on real property. And there's rules around how they can set that millage and what it applies to, and they can set that rate equal to raising enough revenue to cover essential service. Essential services isn't the word. It's more -- it's the police, fire, those kinds of services.
Q. The amount of reimbursement that the City receives under the personal property measure, is that within the control of the City to some extent?
A. Within certain parameters, the City should be able to levy a millage that replaces some of the lost revenue.
Q. And how would it do that?
A. Nobody really knows how all this is going to work, so I don't know how they're going to do that.
Q. Have you had any discussions with anybody at the City about what they're going to do if the personal property legislation ends up going into effect?
A. We've had conversations generally about the personal property tax. They haven't told me



what their plan is going forward.
Q. Would it be fair to say that you've modeled in your revenue forecasts the imposition of a new tax that is not in effect yet under current law?
A. I think the right characterization of what I've done is thinking about the probability of whether the law goes into effect and then what the likely reduction in revenue would be, and taking those two factors into account inform the adjustment made for the personal property tax repeal.
Q. And the amount of the reduction in revenue depends on what the City ends up doing in the future in terms of invoking mechanisms for reimbursement; isn't that correct?
MR. STEWART: Objection.
THE WITNESS: My understanding is that the City will be able to levy certain millages to replace some of the lost revenue, and I don't know exactly what that's going to look like.
BY MR. SMITH:
Q. Okay. Have we covered all the areas that you plan to testify about, or are there any areas that we haven't covered?



A. I think we've covered everything.
MR. STEWART: I have a couple of questions.
EXAMINATION
BY MR. STEWART:
Q. Ms. Sallee, you testified about population estimates that you made?
A. Yes.
Q. And some came from SEMCOG --
MR. SMITH: Objection.
BY MR. STEWART:
Q. -- in a certain period of time?
A. Yes.
Q. And others you came up with?
MR. SMITH: Objection. Leading.
THE WITNESS: That's correct.
BY MR. STEWART:
Q. Are you in a position to testify about the City's anticipated population changes by year as implied in the 10 and 40-year forecast?
A. Yes.
MR. SMITH: Objection. Asked and answered.
MR. STEWART: Thank you. That's all I have. We are we done.
MR. SMITH: I assume nobody on the phone has anything.



THE VIDEOGRAPHER: Off the record. The time is 5:24 p.m.
(FURTHER DEPONENT SAITH NAUGHT.)

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN

In re )
) Chapter 9
CITY OF DETROIT, MICHIGAN, ) Case No. 13-53846
Debtor. ) Hon. Steven W. Rhodes

I, CAROLINE SALLEE, being first duly sworn, on oath say that I am the deponent in the aforesaid deposition taken on July 24, 2014; that I have read the foregoing transcript of my deposition, consisting of pages 1 through 333 inclusive, and affix my signature to same.

______________________________
CAROLINE SALLEE

Subscribed and sworn to
before me this ________ day
of ______________, 2014

_________________________
Notary Public



STATE OF ILLINOIS )
) SS:
COUNTY OF C O O K )

I, GINA M. LUORDO, a notary public within and for the County of Cook County and State of Illinois, do hereby certify that heretofore, to-wit, on July 24, 2014, personally appeared before me, at 77 West Wacker Drive, Suite 3500, Chicago, Illinois, CAROLINE SALLEE, in a cause now pending and undetermined in the United States Bankruptcy Court, Eastern District of Michigan, In re CITY OF DETROIT, MICHIGAN.

I further certify that the said CAROLINE SALLEE was first duly sworn to testify the truth, the whole truth and nothing but the truth in the cause aforesaid; that the testimony then given by said witness was reported stenographically by me in the presence of the said witness, and afterwards reduced to typewriting by Computer-Aided Transcription, and the foregoing is a true and correct transcript of the testimony so given by said witness as aforesaid.

I further certify that the signature to the foregoing deposition was not waived by counsel for the respective parties.



I further certify that the taking of this deposition was pursuant to notice and that there were present at the deposition the attorneys hereinbefore mentioned.

I further certify that I am not counsel for nor in any way related to the parties to this suit, nor am I in any way interested in the outcome thereof.

IN TESTIMONY WHEREOF: I have hereunto set my hand and affixed my notarial seal this 25th day of July, 2014.

_________________________________
NOTARY PUBLIC, COOK COUNTY, ILLINOIS
LIC. NO. 084-004143

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